



FILE

The Public Utilities Commission of Ohio

Monitoring marketplaces and enforcing rules to assure safe, adequate, and reliable utility services.

Ted Strickland, Governor
Alan R. Schriber, Chairman

Commissioners

Ronda Hartman Fergus
Valerie A. Lemmie
Paul A. Centolella
Cheryl Roberto

May 18, 2009

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

RECEIVED-DOCKETING DIV
2009 MAY 18 PM 2:08
PUCO

RE: *In the Matter of the Application of Pike Natural Gas Company for Approval to continue its Uncollectible Expense Rider Rate*, Case No. 09-368-GA-UEx

Dear Docketing Division:

Enclosed please find the Staff's Comments regarding Pike Natural Gas Company's application for a continuation of its existing uncollectible expense rider in Case No. 09-368-GA-UEx.

Respectfully submitted,

Steve Puican

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

Enclosure
cc: Parties of Record

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
Technician SM Date Processed MAY 18 2009

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	:	
Pike Natural Gas Company for	:	
Approval of an Adjustment to its	:	Case No. 09-368-GA-UEx
Uncollectible Expense Rider Rate.	:	

**COMMENTS
OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

Date submitted: May 18, 2009

Application of Pike Natural Gas Company
Case No. 09-368-GA-UEx

In Case No. 03-1127-GA-UNC, the Commission authorized the concept of an uncollectible accounts expense recovery mechanism for five natural gas companies. The mechanism approved allows for recovery of actual bad/uncollectible debt through a rider, rather than through base rates. Subsequently, Pike Natural Gas Company (Pike) was authorized in Case No. 04-1339-GA-UEx to establish a rider recovery mechanism consistent with that which was approved in Case No. 03-1127-GA-UNC. Pike implemented its first uncollectible expense rider in conjunction with its base rate revision in Case No. 05-824-GA-AIR.

On April 30, 2007, Pike filed to revise its initial uncollectible expense rider rate in Case No. 07-513-GA-UEx. Staff reviewed this application and made its recommendations to the Commission, which approved Pike's application to increase its uncollectible expense rider from \$0.00787 per Mcf to \$0.0155 per Mcf effective July 1, 2007.

On September 14, 2007, Staff docketed its report on Pike and Eastern Natural Gas Companies Audit of Uncollectible Expense Mechanism for the Effective Period of January 2004 through December 2006 as part of an on-going Gas Cost Recovery (GCR) audit for those companies. In its audit, staff verified the uncollectible expense monthly balances and write-offs for 2004, 2005 and 2006 and found no errors. Staff also traced individual customers whose balances were written-off and included in the uncollectible monthly expense balances and found no discrepancies.

On April 30, 2008, Pike filed its annual uncollectible expense filing in Case No. 08-562-GA-UEx. In its application, Pike requested Commission authority to continue to bill its current rate of \$0.0155 per Mcf. On June 25, 2008, the Commission granted Pike's request.

On April 30, 2009 Pike filed the current application for an increase in its uncollectible expense rider. Pike is requesting that the current rate of \$0.0155 per Mcf be increased to \$0.0442 per Mcf. Staff has completed its review of the application and herewith provides a brief description of the application, its attachments and recommendation.

Application

Pike's application would increase the existing rider rate of \$0.0155 per Mcf to \$0.0442 per Mcf or an increase of 285%. This is a substantial percentage increase, but less than a three cent increase in rates.

Attachment 1, page 1 of 2 shows Pike's ending uncollectible balance as of December 31, 2008 as an over-collected balance of \$15,672. If passed back to customers over two years, it

would be a credit \$0.0092 per Mcf. Pike then projected its uncollectible expense for the next 12 months to be the same as its 2008 uncollectible expense of \$58,500 or an uncollectible expense rider rate of \$0.0597 per Mcf. The final step in Pike's calculation was to net the over-collection credit of \$0.0092 per Mcf against the projected annual uncollectible expense rider of \$0.0597 per Mcf to arrive at \$0.0442 per Mcf.

In Attachment 1, page 2 of 2, Pike provides its annual balance reconciliation for the calendar year 2008. The annual balance reconciliation reflects the beginning balance and ending balances and the uncollectible expense rider, along with the monthly uncollectible expenses and recoveries for 2008. In reviewing the annual balance reconciliation, Staff notes that the beginning balance of January 1, 2008 was (\$61,017) and the ending balance of December 31, 2008 was (\$15,672), which means Pike amortized over \$45,000 in over-collections in 2008. If Pike were to continue to bill its existing rate of \$0.0155 per MCF through 2009 and experienced similar levels of write-offs in 2009, the Company would go from an over-collected balance of \$15,672 to an under-recovered balance of approximately \$30,000 by the end of year. Therefore the Company is requesting an increase its rider rate.

Recommendation

Staff recommends that in the next financial audit of Pike's GCR in 2009, Staff examine the monthly uncollectible expense balances and write-offs and recoveries for 2007 and 2008 and any required adjustments/corrections be considered in the 2010 uncollectible expense rider application.

Staff has performed a preliminary review of the annual balance reconciliation covering calendar year 2008 and the application. At this time, Staff does not propose any adjustment to the reconciliation and believes that the application appropriately calculates the rider. Staff recommends that the proposed rate of \$0.0442 be approved. Staff believes that based on the rapid amortization of the prior over-collected balance due to the higher level of write-offs experienced in 2008, that absent an increase in its uncollectible expense rider, Pike will have under-collected its costs in 2009, warranting an even larger rider rate increase in the future.