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A report by the Staff of the
Public Utilities Commission of Ohio

Glenwood Energy of Oxford, Inc.
09-210-GA-GCR
09-439-GA-UEX

Audit of the Uncollectible Expense Mechanisms
for Period November 2007 through December 2008

October 23, 2009

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Glenwood Energy of Oxford, Inc. Uncollectible Expense Rider

On August 31, 2007, Glenwood Energy of Oxford, Inc. (Glenwood or Company), formerly Oxford Natural Gas Company, the City of Oxford, and the Staff of the Public Utilities Commission of Ohio filed a Joint Stipulation and Recommendation (Joint Stipulation) to resolve all of the issues in Case Nos. 06-350-GA-CMR and 06-521-GA-UNC. On September 19, 2007, the Commission approved the joint stipulation.

As part of the Joint Stipulation, Glenwood did not implement an uncollectible expense (UEX) rider, but could opt to do so, pursuant to the terms of the Commission Opinion and Order in Case No. 03-1127-GA-UNC. The parties to the Joint Stipulation acknowledged that the general service base rate (base rate) proposed by Glenwood implicitly included an allowance for uncollectible expense. In a subsequent application to establish a UEX rider, Glenwood was to calculate its initial uncollectible expense and reduce its base rate by an equal amount. On May 29, 2009, Glenwood filed an application to establish its first uncollectible expense rider in Case No. 09-439-GA-UEX.

In its May 29, 2009 application, Glenwood filed as part of Attachment 1, the annual balance reconciliations (reconciliations) for 2007, 2008 and the first quarter of 2009. The reconciliations filed by Glenwood were the starting point of staff's audit. Staff initiated its audit of Glenwood's UEX by verifying the monthly "Bad Debt Written Off" (write-offs) from November 2007 through December 2008. Staff traced the write-off amounts to the Company's "Added to Collections" (collection) reports for late 2007 and early 2008. In March 2008 with the introduction of a new billing system the document's title was changed to "Transaction Posting Register" (register). Both of these documents tracked non-paying customers' balances. Staff tied the monthly write-offs to these reports and noted no differences.

Staff then selected several customers from the collection and register reports and requested their customer billing histories. Customers' billing histories contained on the collection reports were lost as a result of the conversion to the new billing system. Staff was able to verify the customers' ending balances, but could not determine when the customers had made their last payments nor if any subsequent payments were received once the customer was disconnected.

The customer billing histories that staff selected from the register reports contained billing histories back to January 2007. From these customer billing histories, Staff was able to verify that none of the customers on the register report had made a payment within 90 days of being disconnected and that most had not made a payment in excess of 150 days. Staff was also able to verify that subsequent payments made by customers were credited to the customers' balances and all of the customers' ending balances tied to the register reports.

In its review of the customer billing history from the register reports, Staff noted several instances when customers stopped making payments and Glenwood continued to bill them late payment fees for up to six billings. Staff brought this to the Company's attention. The Company stated that customers were not disconnected through most of 2008 while it verified that the new customer billing system had been properly implemented and that the customers' billings and billing histories were accurate.

Staff and Glenwood discussed the matter of the late payment fees. Staff believes that two late payment fees sufficiently recognizes the time necessary for Glenwood to complete the disconnection process and allows for the recovery of carrying cost on the outstanding balance prior to its inclusion in the monthly write-offs.

Findings

Staff has reviewed Glenwood's write-offs starting November 2007 and continuing through December 2008 and found the following:

1. In its review of the customer billing histories (register reports) Staff found that the customers' balances were written-off at least 90 days after the customer's last payment.
2. Staff found several instances in which Glenwood billed customers late payment fees for more than two billings. Staff believes an appropriate number of late payment fees to be no more than two.
3. Staff did not find any collection or reporting agency fees in its audit of Glenwood monthly write-off amounts. Staff believes that the Company should utilize collection and reporting agencies and any other means available to reduce the account balances that are placed for recovery through its UEX, thus reducing costs to its remaining customers.

Recommendations

Staff recommends the following:

1. To reflect that no more than two late payment fees are recovered through the Company's UEX rider, Staff has reduced the December 2008 write-off amount from \$71,834 to \$66,846 for a decrease of \$4,988. This reduction results in a year ending balance for 2008 of \$38,207.59. Staff recommends that the 2008 ending balance of \$38,207.59 be the starting point for calendar year 2009 as shown on Attachment A, page 2 of 2. Staff further recommends that Glenwood incorporate the January 2009 beginning balance of \$38,207.59 into its 2010 UEX application.
2. Staff recommends that Glenwood investigate the cost of utilizing collection agencies for non-paying customers with collection fees being recoverable through the

uncollectible expense rider. Staff also recommends that Glenwood contact credit reporting agencies as a means of incenting customers to pay their bills.

Staff notes that in Case No. 03-1127-GA-UNC, the Commission directed that the UEX mechanism be investigated 60 months after its implementation. On February 5, 2009, in Case No. 08-1229-GA-COI, Staff filed its investigation of the UEX mechanism. On August 19, 2009, the Commission signed a Finding and Order, which directs that the UEX riders will continue and also establishes the filing date of UEX applications as May of each year and specifies the information that should be included.

