



Public Utilities Commission

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June 13, 2012

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

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RE: *In the Matter of the Application of Eastern Natural Gas Company, for Approval to revise Uncollectible Expense Rider Rate, Case No. 12-307-GA-UEx.*

Enclosed please find the Staff's Comments regarding Eastern's application to revise its uncollectible expense rider in Case No. 12-307-GA-UEx

Respectfully submitted,

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

Enclosure
cc: Parties of Record

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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	:	
Eastern Natural Gas Company for	:	
Approval of an Adjustment to its	:	Case No. 12-307-GA-UEX
Uncollectible Expense Rider Rate.	:	

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

Date submitted: June 13, 2012

Application of Eastern Natural Gas Company
Case No. 12-307-GA-UEx

Background

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, Eastern Natural Gas Company (Eastern) was authorized in Case No. 04-1619-GA-UEx to begin to defer its uncollectable expenses for future recovery. In that same proceeding, the Commission directed that establishment of a rider to recover those deferrals would be considered in conjunction with Eastern's base rate revision in Case No. 04-1779-GA-AIR. On January 11, 2006, the Commission issued its Opinion and Order in that case and authorized an initial uncollectible rider rate of \$0.0880 per Mcf. Since that time Eastern has filed annual updates to adjust the rider when appropriate, and the Commission has authorized such subsequent revisions. The history of Eastern's rider is as follows:

Jan. 2006 – June 2007	\$0.0880 per Mcf
July 2007 – July 2008	\$0.1203 per Mcf
Aug 2008 – June 2009	\$0.0808 per Mcf
July 2009 – June 2010	\$0.0460 per Mcf
July 2010 – June 2011	\$0.0758 per Mcf
July 2011 – Current	\$0.0044 per Mcf

On April 26, 2012 Eastern filed the pending application to revise its current uncollectible expense rider rate. Staff has reviewed the application and makes its finding and recommendations in this report.

Application

Eastern's application requests an increase in the existing rider rate of \$0.0044 per Mcf to \$0.0604 per Mcf. Page 1 of Attachment 1 to the application, provides the calculation for the revised rider rate. Eastern's ending uncollectible balance as of December 31, 2011 is an over-collected balance of \$13,596 and if passed back to customers over two years would result in a charge of \$(0.0093) per Mcf. Eastern then projected its uncollectible expense for the next 12 months to be \$50,835 which would require a rate of \$0.0697 per Mcf to keep rider revenues current with that level of uncollectibles. The total of the two components comprise the revised rider rate of \$0.0604 per Mcf.

Page 2 of Attachment 1 provides Eastern's month-by-month balance reconciliation for the calendar year 2011. The balance reconciliation reflects the beginning balance, the incremental bad debt written off, the incremental uncollectible expense rider recoveries and the ending balance for 2011. In reviewing the annual balance reconciliation, Staff notes that the beginning balance of January 1, 2011 was \$(24,893) and the ending balance on December 31, 2011 was \$(13,596). This means Eastern had decreased their over collections through the UEX rider by \$11,297. Eastern's proposed rate of \$0.0604 per Mcf would allow them to amortize the over-collected year end balance from the previous year as well as to establish a rate that more closely matches rider revenues with actual bad debt incurred on a going-forward basis.

Recommendation

Staff has performed a review of the annual balance reconciliation covering calendar year 2011. The ending balance of \$(13,596) leads Staff to believe that the UEX rate of \$0.0604 per Mcf is correct. Staff also recommends that in Eastern's next GCR audit scheduled in 2013, Staff closely examine the monthly uncollectible expense balances, write-offs and recoveries for 20011 and 2012. Any required adjustments and /or corrections will be incorporated into the 2012 uncollectible expense rider application.