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A report by the Staff of the

Public Utilities Commission of Ohio

Piedmont Gas Company, Inc.

14-213-GA-GCR

Financial Audit of the Gas Cost Recovery

For the Period of

December 1, 2011 through November 30, 2013

April 18, 2014

Ohio | Public Utilities Commission

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Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), Staff has completed the required audit of the Piedmont Gas Company, Inc. (Piedmont or Company) gas cost recovery (GCR) rates for June 1, 2010 through May 31, 2012. Staff audited for conformity with the procedural aspects of the uniform purchase gas adjustment as set forth in R.C. 4901:1-14, and related appendices, and by Commission Entry signed on February 13, 2014 in Case No. 14-213-GA-GCR.

Our audits have revealed certain findings, as discussed in this audit report, which should be addressed in this proceeding. Staff notes that at the time of preparing this report, unless otherwise noted, Piedmont accurately calculated its gas cost recovery rates for those periods under investigation in accordance with the uniform purchase gas adjustment as set forth in R.C. 4901:1-14, and related appendices, except for those instances noted in the Executive Summary of this audit report. Staff has performed investigations into these specific areas and respectfully submits its findings and recommendations.

Wm. Ross Willis
Chief, Rates Division
Public Utilities Commission of Ohio

Section I

Executive Summary

Audit Work Program

The audit investigation consisted of several components. Staff initially reviewed and evaluated relevant documents from within the Commission in preparation for the audit. Staff submitted data requests and reviewed and evaluated the Company's responses to those requests in order to understand and evaluate the Company's activities. Staff conducted investigative interviews with appropriate Company personnel at the Company's offices in New Philadelphia, Ohio. Additionally, Staff reviewed and evaluated relevant Company documents as necessary to understand and evaluate the Company's activities.

Recommendations

At the time of preparing this report, unless otherwise noted, Piedmont accurately calculated its gas cost recovery rates for the time period discussed in this report. The following is a summary of the Staff's recommendations, which are based on the findings and conclusions presented in this report:

- The errors detailed below are not self-correcting through the GCR mechanism. Staff recommends that the Commission order a reconciliation adjustment of ($4,614) in the Customer's favor to correct for the differences identified above. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

- The differences detailed below are not self-correcting through the GCR mechanism. Staff recommends a reconciliation adjustment in the amount of $16,257 in the Company's favor. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

- Staff recommends that the Company re-verify purchase and sales volumes prior to making its monthly GCR filings with the Commission.

- Staff recommends that the Company re-verify the correct GCR rate prior to billing their customers.

Section II

Introduction

Background

Piedmont Gas Company, which is headquartered in New Philadelphia, Ohio, received approval from the Public Utilities Commission of Ohio to operate as a natural gas public utility in 1987. Founded and owned by Rick and Jo Mako, Piedmont initially served the village of Freeport in Harrison County. Piedmont continues to expand its operations further into Harrison County & Tuscarawas County. Piedmont also serves customers in Holmes, Coshocton, and Guernsey Counties.

Operations

Currently, Piedmont provides natural gas distribution service to 1,860 customers. Of these customers, 1631 are residential, 216 are commercial, and 13 are industrial sales customers. Piedmont also provides transportation service to 13 customers.

For the 12 months ending December 2012, sales customers accounted for 319,873.6 Mcf, or approximately 44% of annual throughput. Transport customers accounted for 404,768.3 Mcf, or approximately 56% of annual throughput. For the 12 months ending December 2013, sales customers accounted for 361,566.3 Mcf, or approximately 54% of annual throughput. Transport customers accounted for 308,345 Mcf, or approximately 46% of annual throughput. This differs significantly from many of Ohio's small LDCs. Many of these smaller utilities generally have sales volumes representing 80% or more of total system throughput, with the remaining 20% or less of system throughput representing large commercial or industrial transporters.

Historically, the Company primarily has relied upon the availability of locally-produced gas to serve its customers' requirements. Eleven local producers supplied the Company's requirements during the audit period. Most of these supplies are priced utilizing a NYMEX (New York Mercantile Exchange) index with an adder, based on MCFs purchased rather than dekatherms. However, these same supplies typically do not contain any reservation or demand charges.

As a result of mergers and acquisitions, many of Piedmont's traditional suppliers have changed names and ownership such that several producers now are operating under the names of different, usually larger, entities. Piedmont remains alert to additional, new suppliers. Piedmont differs from many other smaller LDCs in Ohio due to the fact that it does not possess nor rely upon interstate pipeline interconnections to fully or partially meet its supply requirements. Because of this fact, Piedmont has turned to Dominion East Ohio (DEO), a neighboring local distribution company, to interconnect with as a source of supply. This provides Piedmont with indirect access to interstate supplies.

Piedmont continues to add new distribution mains and is trying to further consolidate many of its dispersed customers into a more integrated system. However, the Piedmont system still has many small customer groups that are being served from gathering lines of producers in the area. Piedmont's distribution system is relatively new, and therefore, less prone to leakage. Piedmont utilizes only plastic pipe for its system, including Cinch polyethylene for its mains.

Piedmont utilizes some temperature-compensating meters for its customers. These meters are marginally more expensive than traditional meters. Temperature-compensating meters help to provide more accurate measurement during varying temperatures, especially during cold weather. The use of these meters also helps contribute to Piedmont's ability to more accurately account for its gas sales volumes, further helping to reduce unaccounted-for gas volumes.

Piedmont remains a full member of the Ohio Utilities Protection Service (OUPS, a "one-call" system). As a full member, Piedmont now has a dedicated computer on-site at the Company's office that receives a log of all calls to OUPS for activity in the Company's service area. Previously, as a limited member, Piedmont was notified directly by OUPS only when other utilities were active in the Company's service area. It was up to private individuals to call Piedmont directly once they had been notified by OUPS that Piedmont was operating in the area.

Recommendations

Staff has no recommendations in this area.

Section III

Expected Gas Cost

Staff has reviewed Piedmont's calculations of their expected gas cost (EGC) for the audit period. The EGC mechanism attempts to match future gas revenues for the upcoming quarter with the anticipated cost to procure gas supplies. It is calculated by extending twelve-month historical purchase volumes from each supplier by the rate that is expected to be in effect during the upcoming period. The cost for each supplier is summed and the total is divided by twelve-month historical sales to develop an EGC rate to be applied to customer bills.

In reviewing the Company's calculations of the EGC, the Staff makes the following observations concerning purchase volumes and sales volumes.

Supply Sources

Piedmont's entire system supply requirements come from local Ohio production with the exception of a small amount of gas from Dominion East Ohio. During the audit period the Company purchased from eleven local producers and Dominion East Ohio to diversify its commodity purchases and to serve some of its smaller non-integrated distribution systems. The local producers are more fully discussed in the Management Issue Section.

Purchase Volumes and Sales Volumes

Staff has verified that Piedmont purchased 309,224 Mcf of gas from the local producers during the first year of the audit and purchased 356,050 Mcf of gas during the second year of the audit. There were two months during the audit period where Staff's purchase volumes differed from the volumes posted in the Company's AA filing.

Staff has verified that Piedmont sold 317,161 Mcf of gas to its customers during the first year of the audit and 356,875 Mcf during the second year of the audit period. Staff found no differences in sales volumes reported during the course of the audit.

Recommendations

Staff recommends that the Company re-verify purchase and sales volumes prior to making its monthly GCR filings with the Commission.

Section IV

Actual Adjustment

The actual adjustment (AA) reconciles the monthly cost of purchased gas with the EGC billing rate. It is calculated by dividing the total cost of gas purchases for each month of the three-month reporting quarter by total sales for those respective months. The result is the unit book cost of gas, which is the cost incurred by the company for procuring each MCF it sold that month. That unit book cost for each month is compared with the EGC rate which was billed for that quarter. The difference between each monthly unit cost and the EGC, whether positive or negative, is multiplied by the respective monthly jurisdictional sales to identify the total under- or over- recoveries of gas costs. The monthly under- or over- recoveries are summed and divided by the twelve-month historic jurisdictional sales to develop an actual adjustment rate, to be included in the GCR for four quarters.

Errors in the actual adjustment calculation can result from incorrectly reported purchase gas costs, errors in the stated sales volumes and from the use of the wrong EGC rate.

Staff has reviewed the applicable purchase invoices and monthly billing registers and found errors in eight months of purchase costs and 9 months of using the wrong EGC rate. Staff and Company AA calculations are shown on Table I.

Recommendations

The errors detailed above are not self-correcting through the GCR mechanism. Staff recommends that the Commission order a reconciliation adjustment of ($4,614) in the Customer's favor to correct for the differences identified above. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

Piedmont Gas Company, Inc.
Case No. 14-213-GA-GCR

Table I
Actual Adjustment

	Per Staff	Dec-11	Jan-12	Feb-12	AA	Difference
Quarter	Supply Cost $	$180,949.07	$205,533.06	$173,953.92		
End:	Jur. Sales MCF	36,805.2	51,788.3	47,478.5		
Feb-12	Total Sales MCF	36,805.2	51,788.3	47,478.5		
	Book Cost $/ MCF	$4.9164	$3.9687	$3.6638		
	EGC$/MCF	$4.3775	$4.0520	$4.0105		
	Diff. $/MCF	$0.5389	($0.0833)	($0.3467)		
	Cost Diff. $	19,834.32	(4,313.96)	(16,460.81)	(940.46)	
	Per Company					
	Supply Cost $	$180,475.10	$205,530.78	$173,953.92		
	Jur. Sales MCF	36,805.2	51,788.3	47,478.5		
	Total Sales MCF	36,805.2	51,788.3	47,478.5		
	Book Cost $/ MCF	$4.9035	$3.9687	$3.6638		
	EGC$/MCF	$4.3775	$4.0520	$4.0105		
	Diff. $/MCF	$0.5260	($0.0833)	($0.3467)		
	Cost Diff. $	19,359.53	(4,313.96)	(16,460.81)	(1,415.24)	474.79

	Per Staff	Mar-12	Apr-12	May-12	AA	Difference
Quarter	Supply Cost $	$102,839.91	$76,829.58	$43,686.04		
End:	Jur. Sales MCF	27,554.8	23,811.5	15,025.3		
May-12	Total Sales MCF	27,554.8	23,811.5	15,025.3		
	Book Cost $/ MCF	$3.7322	$3.2266	$2.9075		
	EGC$/MCF	$3.9703	$4.0067	$3.6004		
	Diff. $/MCF	($0.2381)	($0.7801)	($0.6929)		
	Cost Diff. $	(6,560.13)	(18,575.34)	(10,411.05)	(35,546.52)	
	Per Company					
	Supply Cost $	$103,246.50	$76,829.58	$43,686.04		
	Jur. Sales MCF	27,554.8	23,811.5	15,025.3		
	Total Sales MCF	27,554.8	23,811.5	15,025.3		
	Book Cost $/ MCF	$3.7470	$3.2266	$2.9075		
	EGC$/MCF	$4.2032	$4.0067	$3.6004		
	Diff. $/MCF	($0.4562)	($0.7801)	($0.6929)		
	Cost Diff. $	(12,570.50)	(18,575.34)	(10,411.05)	(41,556.89)	6,010.37

Piedmont Gas Company, Inc.
Case No. 14-213-GA-GCR

Table I
Actual Adjustment

	Per Staff	Jun-12	Jul-12	Aug-12	AA	Difference
Quarter	Supply Cost $	$45,585.31	$40,367.78	$48,033.79		
End:	Jur. Sales MCF	13,414.4	10,961.0	11,165.6		
Aug-12	Total Sales MCF	13,414.4	10,961.0	11,165.6		
	Book Cost $/ MCF	$3.3982	$3.6829	$4.3019		
	EGC$/MCF	$3.3290	$3.8978	$3.7193		
	Diff. $/MCF	$0.0692	($0.2149)	$0.5826		
	Cost Diff. $	928.28	(2,355.52)	6,505.08	5,077.84	
	Per Company					
	Supply Cost $	$45,585.31	$40,367.78	$48,262.30		
	Jur. Sales MCF	13,414.4	10,961.0	11,165.6		
	Total Sales MCF	13,414.4	10,961.0	11,165.6		
	Book Cost $/ MCF	$3.3982	$3.6829	$4.3224		
	EGC$/MCF	$3.3290	$3.8978	$3.7193		
	Diff. $/MCF	$0.0692	($0.2149)	$0.6031		
	Cost Diff. $	928.28	(2,355.52)	6,733.98	5,306.73	(228.89)

	Per Staff	Sep-12	Oct-12	Nov-12	AA	Difference
Quarter	Supply Cost $	$51,940.67	$90,699.69	$185,016.46		
End:	Jur. Sales MCF	14,153.1	22,564.3	42,438.8		
Nov-12	Total Sales MCF	14,153.1	22,564.3	42,438.8		
	Book Cost $/ MCF	$3.6699	$4.0196	$4.3596		
	EGC$/MCF	$3.5923	$3.6944	$3.8709		
	Diff. $/MCF	$0.0776	$0.3252	$0.4887		
	Cost Diff. $	1,098.28	7,337.90	20,738.34	29,174.52	
	Per Company					
	Supply Cost $	$51,712.16	$90,699.69	$185,016.46		
	Jur. Sales MCF	14,153.1	22,564.3	42,438.8		
	Total Sales MCF	14,153.1	22,564.3	42,438.8		
	Book Cost $/ MCF	$3.6538	$4.0196	$4.3596		
	EGC$/MCF	$3.8978	$3.7193	$3.5923		
	Diff. $/MCF	($0.2440)	$0.3003	$0.7673		
	Cost Diff. $	(3,453.36)	6,776.05	32,563.29	35,885.98	(6,711.46)

Table I
Actual Adjustment

	Per Staff	Dec-12	Jan-13	Feb-13	AA	Difference
Quarter	Supply Cost $	$198,441.50	$253,476.41	$236,257.75		
End:	Jur. Sales MCF	39,818.0	56,517.6	51,035.5		
Feb-13	Total Sales MCF	39,818.0	56,517.6	51,035.5		
	Book Cost $/ MCF	$4.9837	$4.4849	$4.6293		
	EGC$/MCF	$4.1616	$4.6251	$4.1657		
	Diff. $/MCF	$0.8221	($0.1402)	$0.4636		
	Cost Diff. $	32,734.37	(7,923.77)	23,660.06	48,470.65	
	Per Company					
	Supply Cost $	$198,441.50	$253,476.48	$236,257.75		
	Jur. Sales MCF	39,818.0	56,517.6	51,035.5		
	Total Sales MCF	39,818.0	56,517.6	51,035.5		
	Book Cost $/ MCF	$4.9837	$4.4849	$4.6293		
	EGC$/MCF	$4.1616	$4.2978	$4.1657		
	Diff. $/MCF	$0.8221	$0.1871	$0.4636		
	Cost Diff. $	32,734.37	10,574.45	23,660.06	66,968.88	(18,498.23)

	Per Staff	Mar-13	Apr-13	May-13	AA	Difference
Quarter	Supply Cost $	$232,220.13	$158,682.52	$96,174.87		
End:	Jur. Sales MCF	48,446.7	32,157.2	18,763.5		
May-13	Total Sales MCF	48,446.7	32,157.2	18,763.5		
	Book Cost $/ MCF	$4.7933	$4.9346	$5.1256		
	EGC$/MCF	$4.3387	$4.9348	$4.7992		
	Diff. $/MCF	$0.4546	($0.0002)	$0.3264		
	Cost Diff. $	22,023.88	(6.43)	6,124.72	28,142.17	
	Per Company					
	Supply Cost $	$232,220.13	$157,253.03	$94,622.64		
	Jur. Sales MCF	48,446.7	32,157.2	18,763.5		
	Total Sales MCF	48,446.7	32,157.2	18,763.5		
	Book Cost $/ MCF	$4.7933	$4.8901	$5.0429		
	EGC$/MCF	$4.3387	$4.9348	$4.1657		
	Diff. $/MCF	$0.4546	($0.0447)	$0.8772		
	Cost Diff. $	22,023.88	(1,437.43)	16,459.35	37,045.80	(8,903.63)

Piedmont Gas Company, Inc.
Case No. 14-213-GA-GCR

Table I
Actual Adjustment

	Per Staff	Jun-13	Jul-13	Aug-13	AA	Difference
Quarter	**Supply Cost $**	$66,352.93	$61,748.06	$60,045.23		
End:	**Jur. Sales MCF**	11,098.8	14,466.6	11,912.0		
Aug-13	**Total Sales MCF**	11,098.8	14,466.6	11,912.0		
	Book Cost $/ MCF	$5.9784	$4.2683	$5.0407		
	EGC$/MCF	$5.5268	$5.4053	$5.3836		
	Diff. $/MCF	$0.4516	($1.1370)	($0.3429)		
	Cost Diff. $	5,012.23	(16,448.57)	(4,084.63)	(15,520.97)	
	Per Company					
	Supply Cost $	$69,294.65	$61,748.06	$60,045.23		
	Jur. Sales MCF	11,098.8	14,466.6	11,912.0		
	Total Sales MCF	11,098.8	14,466.6	11,912.0		
	Book Cost $/ MCF	$6.2434	$4.2683	$5.0407		
	EGC$/MCF	$5.5268	$5.4053	$5.3836		
	Diff. $/MCF	$0.7166	($1.1370)	($0.3429)		
	Cost Diff. $	7,953.42	(16,448.57)	(4,084.63)	(12,579.78)	(2,941.19)

	Per Staff	Sep-13	Oct-13	Nov-13	AA	Difference
Quarter	**Supply Cost $**	$64,616.58	$101,911.03	$171,997.32		
End:	**Jur. Sales MCF**	13,022.1	22,532.0	37,104.4		
Nov-13	**Total Sales MCF**	13,022.1	22,532.0	37,104.4		
	Book Cost $/ MCF	$4.9621	$4.5230	$4.6355		
	EGC$/MCF	$5.1409	$5.2033	$4.9360		
	Diff. $/MCF	($0.1788)	($0.6803)	($0.3005)		
	Cost Diff. $	(2,328.54)	(15,328.50)	(11,149.87)	(28,806.91)	
	Per Company					
	Supply Cost $	$64,616.58	$101,911.03	$171,997.32		
	Jur. Sales MCF	13,022.1	22,532.0	37,104.4		
	Total Sales MCF	13,022.1	22,532.0	37,104.4		
	Book Cost $/ MCF	$4.9621	$4.5230	$4.6355		
	EGC$/MCF	$5.5268	$5.4053	$5.3836		
	Diff. $/MCF	($0.5647)	($0.8823)	($0.7481)		
	Cost Diff. $	(7,353.61)	(19,879.96)	(27,757.81)	(54,991.37)	26,184.46
					TOTAL:	**(4,614)**

Section V

Refund and Reconciliation Adjustment

The Company does not utilize any interstate natural gas supplies, and therefore, has not had any supplier refunds resulting from changes in FERC filings, etc. The natural gas supplies that the Company purchases are typically fixed price per metered unit and therefore there are no supplier refunds.

As a result of the Commission's Opinion and Order in Piedmont's last GCR audit proceeding, Case No. 12-213-GA-GCR, the Company was ordered to implement a reconciliation adjustment of $51,626.93 which addressed the differences between the Staff's and the Company's calculated actual adjustment, refund and reconciliation adjustment, and balance adjustment calculations. Staff found that this amount was properly included into the GCR rate for the 12 months recommended.

Recommendations

Staff has no recommendations for this section.

Section VI

Balance Adjustment

The balance adjustment (BA) mechanism corrects for under- or over- recoveries of previously calculated AA's and RA's. The BA is calculated by subtracting the product of each respective AA and RA and the sales to which those rates were applied from the dollar amounts of the respective AA or RA previously included in the GCR and used to generate those adjustment rates. Since those adjustment rates, themselves, were derived by dividing the dollar amounts by historic sales, the BA calculation depicts the differences in revenues generated for each of these adjustment mechanisms using actual versus historical sales. The sum of the differences for the AA and RA calculations is the total BA which is the incorporated into the AA calculation.

Errors detected in the balance adjustment are generally the result of incorrectly reported sales volumes, but also may be due to selecting an incorrect previous AA or RA rate for the purpose of calculating a given quarter's balance adjustment. The sequencing of the AA and RA rates was the source of most of the differences found by Staff in this audit and the prior audit. Sales volumes and total adjustment amounts were also miscalculated throughout the audit period. Staff is working with the Company to properly sequence these rates. Staff and Company BA calculations are shown on Table II.

Staff noticed that during the course of the audit period, the Company had failed to file information regarding the balance adjustment. If the company is uncomfortable computing the balance adjustment during their GCR monthly filings, Staff will calculate the balance adjustment for the company during Staff's biennial audit and adjust accordingly.

Recommendations

The differences detailed above are not self-correcting through the GCR mechanism. Staff recommends a reconciliation adjustment in the amount of $ 16,257 in the Company's favor. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

Table II
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
Year	**Adjustment $**	($19,291.45)	($195,361.74)	$0.00		
End:	**Rate $/MCF**	($0.0638)	($0.6439)	$0.0000		
Feb-12	**Sales MCF**	311,816.7	311,816.7	311,816.7		
	Recovery $	($19,831.54)	($200,778.75)	$0.00		
	Balance $	$540.09	$5,417.02	$0.00	$5,957.11	
	Per Company					
	Adjustment $	$0.00	$0.00	$0.00		
	Rate $/MCF	($0.1587)	$0.0000	$0.0000		
	Sales MCF	303,413.0	303,413.0	303,414.0		
	Recovery $	$0.00	$0.00	$0.00		
	Balance $	$0.00	$0.00	$0.00	$0.00	$5,957.11

	Per Staff	AA	RA	BA	Total BA	Difference
Year	**Adjustment $**	$126,930.74	$0.00	$0.00		
End:	**Rate $/MCF**	$0.4103	$0.0000	$0.0000		
May-12	**Sales MCF**	300,610.8	300,610.8	300,610.8		
	Recovery $	$137,923.07	$0.00	$0.00		
	Balance $	($10,992.33)	$0.00	$0.00	($10,992.33)	
	Per Company					
	Adjustment $	$0.00	$0.00	$0.00		
	Rate $/MCF	($0.1587)	$0.0000	$0.0000		
	Sales MCF	303,413.0	303,413.0	303,414.0		
	Recovery $	$0.00	$0.00	$0.00		
	Balance $	$0.00	$0.00	$0.00	$0.00	($10,992.33)

Table II
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
Year	Adjustment $	($103,201.29)	$0.00	$0.00		
End:	Rate $/MCF	($0.3016)	$0.0000	$0.0000		
Aug-12	Sales MCF	301,047.2	301,047.2	301,047.2		
	Recovery $	($114,669.36)	$0.00	$0.00		
	Balance $	$11,468.07	$0.00	$0.00	$11,468.07	
	Per Company					
	Adjustment $	$0.00	$0.00	$0.00		
	Rate $/MCF	($0.3016)	$0.0000	$0.0000		
	Sales MCF	303,413.0	303,413.0	303,414.0		
	Recovery $	$0.00	$0.00	$0.00		
	Balance $	$0.00	$0.00	$0.00	$0.00	$11,468.07

	Per Staff	AA	RA	BA	Total BA	Difference
Year	Adjustment $	($55,673.60)	$0.00	$0.00		
End:	Rate $/MCF	($0.16)	$0.0000	$0.0000		
Nov-12	Sales MCF	317,160.8	317,160.8	317,160.8		
	Recovery $	($75,347.08)	$0.00	$0.00		
	Balance $	$19,673.48	$0.00	$0.00	$19,673.48	
	Per Company					
	Adjustment $	$0.00	$0.00	$0.00		
	Rate $/MCF	($0.3016)	$0.0000	$0.0000		
	Sales MCF	303,413.0	303,413.0	303,414.0		
	Recovery $	$0.00	$0.00	$0.00		
	Balance $	$0.00	$0.00	$0.00	$0.00	$19,673.48

Table II
Balance Adjustment

	Per Staff	**AA**	**RA**	**BA**	**Total BA**	**Difference**
Year	**Adjustment $**	($71,795.45)	$0.00	$0.00		
End:	**Rate $/MCF**	($0.22)	$0.0000	$0.0000		
Feb-13	**Sales MCF**	328,460.0	328,460.0	328,460.0		
	Recovery $	($63,329.08)	$0.00	$0.00		
	Balance $	($8,466.37)	$0.00	$0.00	($8,466.37)	
	Per Company					
	Adjustment $	$0.00	$0.00	$0.00		
	Rate $/MCF	($0.2162)	$0.0000	$0.0000		
	Sales MCF	303,413.0	303,413.0	303,413.0		
	Recovery $	$0.00	$0.00	$0.00		
	Balance $	$0.00	$0.00	$0.00	$0.00	($8,466.37)

	Per Staff	**AA**	**RA**	**BA**	**Total BA**	**Difference**
Year	**Adjustment $**	($1,415.24)	$0.00	$0.00		
End:	**Rate $/MCF**	($0.00)	$0.0000	$0.0000		
May-13	**Sales MCF**	361,435.8	361,435.8	361,435.8		
	Recovery $	($607.09)	$0.00	$0.00		
	Balance $	($808.15)	$0.00	$0.00	($808.15)	
	Per Company					
	Adjustment $	$0.00	$0.00	$0.00		
	Rate $/MCF	($0.0045)	$0.0000	$0.0000		
	Sales MCF	303,413.0	303,413.0	303,413.0		
	Recovery $	$0.00	$0.00	$0.00		
	Balance $	$0.00	$0.00	$0.00	$0.00	($808.15)

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Table II
Balance Adjustment

	Per Staff	**AA**	**RA**	**BA**	**Total BA**	**Difference**
Year	**Adjustment $**	($41,556.89)	$51,696.23	$0.00		
End:	**Rate $/MCF**	($0.1384)	$0.1719	$0.0000		
Aug-13	**Sales MCF**	363,372.3	363,372.3	363,372.3		
	Recovery $	($50,290.72)	$60,030.77	$0.00		
	Balance $	$8,733.83	($8,334.54)	$0.00	$399.29	
	Per Company					
	Adjustment $	$0.00	$0.00	$0.00		
	Rate $/MCF	$0.1133	$0.0000	$0.0000		
	Sales MCF	303,413.0	303,413.0	303,413.0		
	Recovery $	$0.00	$0.00	$0.00		
	Balance $	$0.00	$0.00	$0.00	$0.00	$399.29
	Per Staff	**AA**	**RA**	**BA**	**Total BA**	**Difference**
Year	**Adjustment $**	$5,306.73	$0.00	$0.00		
End:	**Rate $/MCF**	$0.0176	$0.0000	$0.0000		
Nov-13	**Sales MCF**	356,874.6	356,874.6	356,874.6		
	Recovery $	$6,280.99	$0.00	$0.00		
	Balance $	($974.26)	$0.00	$0.00	($974.26)	
	Per Company					
	Adjustment $	$0.00	$0.00	$0.00		
	Rate $/MCF	$0.0000	$0.0000	$0.0000		
	Sales MCF	303,413.0	303,413.0	303,413.0		
	Recovery $	$0.00	$0.00	$0.00		
	Balance $	$0.00	$0.00	$0.00	$0.00	($974.26)
					TOTAL:	**$16,257**

Section VII

Unaccounted-For Gas

Unaccounted-for gas (UFG) is the difference between gas purchase volumes and sale volumes. It is calculated on a twelve-month basis, ending in one of the low usage summer months, so as to minimize the effects of unbilled volumes on the calculation. Chapter 4901:1-14-08(F)(3), Ohio Administrative Code, specifies that the Commission may adjust the Company's future GCR rates as a result of UFG above a reasonable level, presumed to be no more than 5% for the audit period.

Staff has performed an analysis of the UFG for the twelve-month periods ending August 2012 and August 2013. Staff used the total sales volume deliveries divided by the total purchase volume receipts to arrive at the systems' average unaccounted-for gas rates. On Piedmont's system, transportation customers' purchases are equal to transportation customers' sales, these volumes are excluded from the UFG calculation. The results of Staff's calculation are shown in Table III below.

The GCR Rule allows for up to five percent UFG. In this case, the UFG level is negative, indicating a difference in the temperature compensated sales meters and the non-temperature compensated purchase meters. The temperature compensated meters tend to be more accurate regardless of temperature changes.

Table II
System Average UFG Rates
(unless otherwise indicated, values in MCF)

12 Months Ended	Receipts	Deliveries	UFG	UFG (%)
November 2012	309,224	317,161	(7,937)	-2.57%
November 2013	356,050	356,875	(825)	-0.23%

Recommendation

Staff has no recommendations in this area.

Section VIII

Customer Billing

An important component in the GCR process is the proper application of GCR rates to customer bills. In order to determine the Piedmont properly applied its GCR and base rates during the audit period, Staff reviewed the Company's customer billing records. Using a random sampling, Staff selected customers from the Company's monthly billing registers and recalculated their bills. Staff then compared its recalculated bills to the customer billing register to determine if there were any differences.

Staff found that the Company incorrectly billed customers for four months of the audit period. For the months of March 2012, November 2012, May 2013 and September 2013 Piedmont inadvertently billed the previous months GCR for the non pressure compensated meters while billing the correct GCR rate for the pressure compensated meters.

Staff has accounted for the errors in its Actual Adjustment calculation.

Recommendation

Staff recommends that the Company re-verify the correct GCR rate prior to billing their customers. It may be beneficial if the Company has a print out of current GCR rates and the corresponding rate codes to verify against prior to billing their customers.