

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Audit of the )  
Transportation Migration Rider - Part B )  
of The East Ohio Gas Company d/b/a ) Case No. 14-219-GA-EXR  
Dominion East Ohio and Related )  
Matters. )

In the Matter of the Uncollectible )  
Expense Rider of The East Ohio Gas ) Case No. 14-319-GA-UEX  
Company d/b/a Dominion East Ohio )  
and Related Matters. )

In the Matter of the Percentage of )  
Income Payment Plan Rider of The East ) Case No. 14-419-GA-PIP  
Ohio Gas Company d/b/a Dominion )  
East Ohio and Related Matters. )

FINDING AND ORDER

The Commission finds:

- (1) The East Ohio Gas Company d/b/a Dominion East Ohio (DEO) is a gas or natural gas company as defined in R.C. 4905.03 and a public utility by reason of R.C. 4905.02. As such, DEO is subject to the jurisdiction of this Commission, in accordance with R.C. 4905.04 and 4905.05.
- (2) By Opinion and Order issued June 18, 2008, in *In re Application of The East Ohio Gas Company d/b/a Dominion East Ohio*, Case No. 07-1224-GA-EXM, the Commission authorized DEO to proceed with the second phase of its plan to eliminate its gas cost recovery (GCR) mechanism and implement a market-based standard service offer (SSO), through a wholesale auction for percentage of income payment plan (PIPP), choice-ineligible, and transitional customers, and a standard choice offer (SCO), through a retail auction, for choice-eligible SSO customers.

- (3) With the elimination of the GCR mechanism, costs and credits that were once recovered through the GCR were now to be recovered through the Transportation Migration Rider - Part B (TMR). By Opinion and Order issued May 26, 2006, the Commission approved a stipulation in *In re Application of The East Ohio Gas Company d/b/a Dominion East Ohio*, Case No. 05-474-GA-ATA, which provided that all aspects of the proposed cost recovery through the TMR are to be reviewed as part of an annual financial audit that would be conducted by an outside auditor, docketed, and reviewed by Staff.
- (4) By Finding and Order issued December 17, 2003, in *In re Application of The East Ohio Gas Company d/b/a Dominion East Ohio, et al.*, Case No. 03-1127-GA-UNC, the Commission approved five gas distribution companies' applications to recover uncollectible expenses (UEX) through riders. A requirement of the Order in that case was that the new UEX riders would be audited in the course of each company's GCR audit. With the elimination of DEO's GCR, the UEX rider is to be audited in the course of DEO's audit of the TMR.
- (5) Furthermore, the Commission has authorized DEO to recover PIPP arrearages associated with providing natural gas service through its PIPP rider. *In re Establishment of Recovery Method for Percentage of Income Payment Plan*, Case No. 87-244-GE-UNC, Finding and Order (Aug. 4, 1987).
- (6) By Entry issued April 16, 2014, the Commission initiated the financial audits of DEO's TMR, UEX, and PIPP riders. The TMR audit was for the period April 1, 2013, through March 31, 2014. The UEX rider audit was for calendar year 2013, and the first quarter of 2014. The PIPP rider audit was for rates effective January 2013 through March 2014. DEO's auditor was directed to docket its audit findings for the TMR in Case No. 14-219-GA-EXR (*DEO 2014 EXR Case*); audit findings for the UEX rider in Case No. 14-319-GA-UEX (*DEO 2014 UEX Case*); and audit findings for the PIPP rider in Case

No. 14-419-GA-PIP (*DEO 2014 PIPP Case*). Deloitte and Touche LLP (D&T) was selected by DEO to conduct the audits and docket all three audit reports in their respective dockets by October 17, 2014.

- (7) The audit report for the TMR, for the period April 1, 2013 through March 31, 2014, was filed on October 17, 2014, in the *DEO 2014 EXR Case*. The audit found DEO's application and accounting systems accurate in many respects, with two exceptions. First, regarding actual operating balancing costs deferred, D&T found a difference of \$2,794.82 for January 2013 between the total operational balancing costs deferred in the rate calculation schedules and Schedule 23/Requirements and Supply. DEO informed D&T that the difference resulted from an adjustment to deferred gas costs for December 2012, which was reflected in the schedule of actual gas deferrals for operational balancing for January 2013. DEO further informed D&T that, in total, the deferred gas costs for the months of December 2012, and January 2013, reported in the rate calculation schedules agree with the total for those months on Schedule 23/Requirements and Supply.

Second, D&T obtained details of customer billings and selected seven individual billings from May, August, and November 2013, and February 2014, for a total of 28 selections. D&T compared the TMR rate used in the calculation of the customer's bill to the applicable TMR rate filing. The two TMR rates were found to be in agreement, except for special billing system customers in certain rate classes not subject to the TMR provisions.

- (8) The audit report for the UEX rider, for calendar year 2013, and the first quarter of 2014, was filed on October 17, 2014, with only one matter of concern. D&T obtained from DEO a reconciliation of the UEX rider regulatory asset balance used to calculate the UEX rider rate for the year ending December 31, 2013, in addition to the quarter ending March 31, 2014, and the balance of systems application processes (SAP) account number

1171160 for December 31, 2013, and March 31, 2014. D&T found that DEO has identified reconciling items for activity during periods ending December 31, 2013, and March 31, 2014, as a result of timing differences. According to D&T, DEO indicated that the differences result from the estimated amounts recorded to the SAP general ledger each month, which are later updated with actual balances the following month.

- (9) The audit report for the PIPP rider, concerning rates effective January 2013 through March 2014, was filed October 17, 2014, and indicated the following discrepancies. First, D&T compared PIPP recovery volumes for sales customers to the respective volumes for requirements and supply, and also compared PIPP recovery volumes for energy choice customers and transport customers to reports from the applicable system for each month. D&T found all such volumes to be in agreement, except that the volumes for energy choice customers and transport customers on the schedule for November 2013 differed from the applicable system billing reports for energy choice and transport customers. DEO informed D&T that the difference in volumes was caused by a typographical error that did not impact the dollar amount of recoveries.

Second, D&T compared the PIPP rider rate used to derive PIPP recoveries for sales customers, energy choice customers, and transport customers, to the applicable rate filing approved by the Commission, and found for September 2013, and November 2013, that the difference in rates is caused by billing adjustments occurring in these months, as related to consumption originally billed in prior months.

Third, D&T obtained DEO's monthly annualized money pool interest rates for selected months, and compared such interest rates to the interest rates used by DEO to calculate monthly carrying charges. The rates were found to be in agreement, except for a difference of

0.01956 percent between the actual monthly annualized money pool interest rate and the interest rate used to calculate monthly carrying charges for February 2014. DEO informed D&T that it inadvertently used the subsequent month's annualized money pool interest rate to calculate monthly carrying charges for February 2014 through July 2014.

Finally, D&T obtained from DEO a reconciliation of the balance of accumulated deferrals for the PIPP rider at March 31, 2014, to SAP account numbers and found that DEO has identified reconciling items for activity during the period ended March 31, 2014, as a result of timing differences. DEO informed D&T that these differences result from the estimated amounts recorded to the SAP general ledger each month in accordance with DEO policies, which are updated with the actual balances the following month.

- (10) No comments were filed in these dockets concerning any of D&T's audits of the TMR, UEX, and PIPP riders.
- (11) The Commission has reviewed the reports filed in these dockets by D&T and notes that DEO has provided thorough explanations concerning any discrepancies found by D&T. Therefore, the Commission concludes that the findings of D&T, as set forth in the audit reports docketed in the *DEO 2014 EXR Case*, *DEO 2014 UEX Case*, and *DEO 2014 PIPP Case*, should be adopted by the Commission.

It is, therefore,

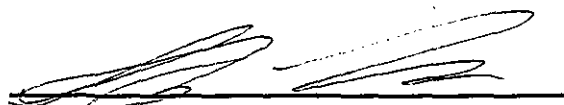
ORDERED, That the findings of D&T, set forth in the audit reports docketed in these cases, be adopted. It is, further,

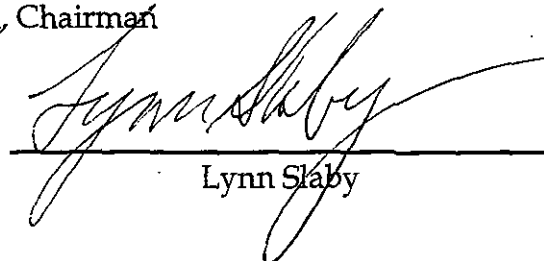
ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

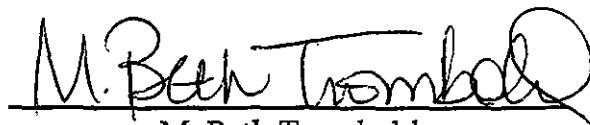
ORDERED, That a copy of this Finding and Order be served upon DEO and upon all other persons of record in these proceedings.

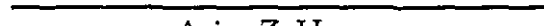
THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Thomas W. Johnson, Chairman

  
Steven D. Lesser

  
Lynn Slaby

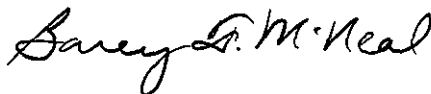
  
M. Beth Trombold

  
Asim Z. Haque

JML/sc

Entered in the Journal

**FEB 03 2015**

  
Barcy F. McNeal  
Secretary