

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Regulation of the )  
Purchased Gas Adjustment Clauses )  
Contained Within the Rate Schedules of ) Case No. 14-216-GA-GCR  
Suburban Natural Gas Company and )  
Related Matters. )

In the Matter of the Uncollectible Expense )  
Rider of Suburban Natural Gas Company ) Case No. 14-316-GA-UEx  
and Related Matters. )

In the Matter of the Percentage of Income )  
Payment Plan Rider of Suburban Natural ) Case No. 14-416-GA-PIP  
Gas Company and Related Matters. )

OPINION AND ORDER

The Public Utilities Commission of Ohio, having considered the evidence and the stipulation and recommendation presented by the parties, and being otherwise fully advised, hereby issues its Opinion and Order.

APPEARANCES:

William J. Michael, 2626 Lewis Center Road, Lewis Center, Ohio 43035-9206, on behalf of Suburban Natural Gas Company.

Mike DeWine, Ohio Attorney General, by Werner L. Margard, III, Assistant Attorney General, 180 East Broad Street, Columbus, Ohio 43215-3793, on behalf of the Staff of the Public Utilities Commission of Ohio.

SUMMARY OF THE PROCEEDINGS:

Suburban Natural Gas Company (Suburban) is a gas company and a natural gas company, as defined in R.C. 4905.03, and a public utility under R.C. 4905.02. Pursuant to R.C. 4905.302, the Commission promulgated rules for a uniform purchased gas adjustment clause to be included in the schedules of gas or natural gas companies subject to the Commission's jurisdiction. These rules, which are contained in Ohio Adm.Code Chapter 4901:1-14, separate the jurisdictional cost of gas from all other costs incurred by a gas or natural gas company and provide for each company's recovery of these costs.

R.C. 4905.302 also directs the Commission to establish investigative procedures, including periodic reports, audits, and hearings to examine the arithmetic and accounting accuracy of the gas costs reflected in each company's gas cost recovery (GCR) rates and to review each company's production and purchasing policies and their effect upon these rates. Pursuant to such authority, the Commission adopted Ohio Adm.Code 4901:1-14-07, which identifies how periodic audits of gas or natural gas companies shall be conducted. Ohio Adm.Code 4901:1-14-08(A) requires the Commission to hold a public hearing at least 60 days after the filing of the required audit reports. Ohio Adm.Code 4901:1-14-08(C) specifies that notice of the hearing be published at least 15 days, but not more than 30 days, prior to the date of the scheduled hearing.

On February 13, 2014, the Commission initiated Case No. 14-216-GA-GCR in order to review the operation of the purchased gas adjustment clause and the gas purchasing practices and policies of Suburban. The Entry established the financial audit period, set the deadline for filing the financial audit report, and instructed Staff to perform the financial audit for the period September 1, 2011, to August 31, 2013. By this same Entry, the Commission scheduled a hearing date of September 30, 2014, and directed Suburban to publish notice of the hearing.

On March 19, 2008, the Commission authorized Suburban to establish an uncollectible expense (UEX) rider. *In re Suburban Natural Gas Co.*, Case No. 07-689-GA-AIR, Opinion and Order (Mar. 19, 2008). In approving the UEX rider, the Commission required that the rider be audited. On February 13, 2014, the Commission issued an Entry initiating Case No. 14-316-GA-UEX for the purpose of the audit of Suburban's UEX rider, the filing of the UEX status report, and other related matters for the period January 1, 2012, through December 31, 2013.

Furthermore, the Commission has authorized the utility companies to recover percentage of income payment plan (PIPP) arrearages associated with providing natural gas service through their PIPP riders. *In re Establishment of Recovery Method for Percentage of Income Payment Plan*, Case No. 87-244-GE-UNC, Finding and Order (Aug. 4, 1987). On February 13, 2014, the Commission issued an Entry initiating Case No. 14-416-GA-PIP for the purpose of the audit of Suburban's PIPP rider for the period January 1, 2012, through December 31, 2013.

Staff conducted the GCR, UEX, and PIPP audits pursuant to the Commission's February 13, 2014 Entry in these cases. On July 31, 2014, Staff filed its report on the financial audit of the GCR mechanism for the period September 1, 2011, through August 31, 2013. Concurrently, Staff filed its audit of the UEX rider and its PIPP audit for the period January 1, 2012, through December 31, 2013.

The February 13, 2014 Entry scheduled the hearing for September 30, 2014. At the September 30, 2014 hearing, no members of the public appeared to testify. Counsel for Staff represented at the hearing that the parties had reached a stipulation and recommendation (stipulation), which had been filed on September 29, 2014, resolving all the issues in these matters (Tr. at 5; Joint Ex. 1). Except as noted in the stipulation, Suburban agrees to the recommendations set forth in the audit reports. Staff also offered as evidence the testimony of Roger Sarver in support of the stipulation (Tr. at 5-9).

Ohio Adm.Code 4901:1-14-08(C) specifies that notice of the hearing be published in a newspaper of general circulation throughout the company's service area, by bill insert, bill message, or direct mail to customers. At the hearing, Suburban submitted proof of publication stating that notices were provided in newspapers of general circulation on September 3, 2014, in the counties of Delaware, Henry, Marion, and Wood. Copies of the notices were attached to the proof of publication (Suburban Ex. 1). Thus, notice was properly provided in accordance with the rule.

#### AUDIT REPORTS:

##### I. GCR Financial Audit

Staff conducted a GCR financial audit, in accordance with the objectives outlined in Ohio Adm.Code Chapter 4901:1-14. In the audit, Staff examined the periodic filings of Suburban that support the GCR rates for the period from September 1, 2011, through August 31, 2013. Except as noted below, Staff found that Suburban fairly determined its GCR rates for the period stated above, in accordance with the uniform purchased gas adjustment clause, as set forth in Ohio Adm.Code Chapter 4901:1-14 and related appendices, and properly applied the GCR rates to customer bills (Commission-ordered Ex. 1 at 18).

With regard to the issues identified in its audit, Staff found the following:

- (1) Suburban's GCR rates were fairly determined, in accordance with the provisions of Ohio Adm.Code Chapter 4901:1-14 during the audit period, except for those instances noted in the GCR audit report.
- (2) Suburban accurately determined and billed the GCR rates for the effective audit period, September 1, 2011, through August 31, 2013, in accordance with Ohio Adm.Code Chapter 4901:1-14 and related appendices, except for those instances noted in the GCR audit report.

- (3) Suburban's GCR rates were properly applied to customer bills during the audit period.
- (4) Suburban should make a reconciliation adjustment in the amount of \$27,707 in the customers' favor in connection with the actual adjustment (AA). The adjustment should be applied in the first GCR filing following this Opinion and Order.
- (5) Suburban should make a reconciliation adjustment in the amount of \$410 in the company's favor in connection with the balance adjustment (BA). The adjustment should be applied in the first GCR filing following this Opinion and Order.
- (6) Suburban's level of unaccounted for gas (UFG) for the GCR audit period was reasonable and within the requirements of Commission rules.
- (7) Staff noted an overall increase of 524 customers during the audit period. Staff then compared this growth with Suburban's long-term forecast report (LTFR) filed in *In re Suburban Natural Gas Co.*, Case No. 14-1700-GA-FOR. Staff took into account that Suburban's peak day design (PDD) of negative 19 degrees Fahrenheit would result in a demand of approximately 27,700 Mcf for its customer base. Moreover, Suburban forecasts that its PDD will increase over the next 10 years. Comparing Suburban's LTFR projections with historical peak day temperatures and system demands, Staff concluded that Suburban's PDD may be overstated and its system demand extremely excessive.
- (8) Because Suburban has far greater capacity entitlements than what is necessary to serve its customers' loads, Staff recommended that Suburban continue to monitor customer growth and the amount of capacity required to serve its customers. Staff urged Suburban to evaluate the necessity for any and all capacity contracts when they near expiration.

(Commission-ordered Ex. 1 at 6, 12, 21-22.)

## II. UEX Audit

Staff conducted a UEX audit of Suburban's UEX recovery mechanism for the period January 1, 2012, through December 31, 2013. Staff's audit of Suburban's UEX account determined that the company appropriately applied the UEX rider rate with the annual

sales volumes to its Recoveries-Bad Debt Rider account. In its audit, Staff confirmed that customers making payments to their UEX arrearage were properly credited, that payments made to an outside collection agency were paid through the base rate, and that the gross receipts tax was not billed through the UEX rider. Staff also confirmed the number of accounts and the amounts written-off during the audit period and verified that accounts written-off during the audit period were greater than 365 days since the last payment on the account. (Commission-ordered Ex. 2.)

After 365 days, the account is written off and is considered part of the UEX rider. Staff recommended Suburban write off account balances for nonpayment after a maximum of 180 days or a minimum of 60 days, instead of the current 365 days. Staff believes that 365 days is too long. According to Staff, this recommendation would bring Suburban in line with other similarly-sized local distribution companies. (Commission-ordered Ex. 2.)

Staff's examination of Suburban's 2012-2013 bad debt account listing for the period January 1, 2012, through December 31, 2013, showed that 398 accounts were marked as bad debt. Staff then verified that Suburban properly calculated its Recoveries-Other account. The examination sought to ensure that payments received that have been written off are properly recorded and accounted. Staff did not find any errors in Suburban's calculation. However, Staff recommends that Suburban change its procedure so that the transfer of a UEX account balance to an active account be reported in the Bad Debts Written-Off line item instead of the Recoveries-Other account. Staff explains that balance transfers are not a recovery mechanism. Staff recommended that the January 2014 beginning balance be set at (\$24,050).<sup>1</sup> (Commission-ordered Ex. 2.)

### III. PIPP Audit

Staff conducted an audit of Suburban's PIPP rider for the period January 1, 2012, through December 31, 2013, and filed a report of its findings on July 31, 2014. Staff concluded that Suburban properly accounted for charge-offs and recoveries for 2012 and 2013 and that it has properly implemented the PIPP Plus program with its arrearage forgiveness program. This was Staff's initial audit of Suburban's PIPP arrearages and recoveries. Staff had no recommendations in this initial audit of Suburban's PIPP rider; nor did Staff have any adjustments to write-offs and recoveries for 2014.

### STIPULATION:

A stipulation, signed by the parties in these proceedings, was filed in the dockets on September 29, 2014 (Joint Ex. 1). The stipulation was intended by the signatory parties to resolve all outstanding issues in these proceedings. The following is a summary of the

---

<sup>1</sup> Throughout this Order, numbers in parentheses reflect negative numbers.

provisions agreed to by the parties and is not intended to replace or supersede the stipulation. The stipulation includes, inter alia, the following provisions:

- (1) Suburban will make a reconciliation adjustment in the amount of \$20,000 in the customers' favor in connection with the AA. The adjustment will be applied in the first GCR filing following this Opinion and Order.
- (2) Suburban will make a reconciliation adjustment in the amount of \$410 in the company's favor in connection with the BA. The adjustment will be applied in the first GCR filing following this Opinion and Order.
- (3) Suburban's level of UFG for the GCR audit period was reasonable and within the requirements of Commission rules.
- (4) Suburban will monitor customer growth and the amount of capacity required to serve its customers and evaluate the necessity for each capacity contract when it is near expiration. According to the stipulation, Suburban does not agree with Staff's characterization of Suburban's capacity entitlements. The stipulation provides that Suburban will comply with the stipulation and order in *In re Suburban Natural Gas Co.*, Case No. 12-216-GA-GCR. In that proceeding, Suburban committed to align its capacity entitlements as its contracts expire to a level commensurate with its peak design day levels.
- (5) Following Staff's recommendation, Suburban agrees to write off account balances for nonpayment after a maximum of 180 days, but no less than 60 days.
- (6) Suburban will change its reporting procedure for UEX balance transfers so that the transfers are reported in the Bad Debt Written-Off account instead of the Recovery-Other account.
- (7) For January 2014, Suburban will set its UEX account balance at (\$24,050).
- (8) Suburban properly accounted for charge-offs and recoveries for 2012 and 2013 and it properly implemented the PIPP Plus program with its arrearage forgiveness program.

(Joint Ex. 1 at 2-7.)

CONCLUSION:

Ohio Adm.Code 4901-1-30 authorizes parties to Commission proceedings to enter into a stipulation. Although not binding on the Commission, the terms of such an agreement are afforded substantial weight. See *Akron v. Pub. Util. Comm.*, 55 Ohio St.2d 155, 157, 378 N.E.2d 480 (1978). This concept is particularly valid where the stipulation is unopposed by any party and resolves all issues presented in the proceeding in which it is offered.

The standard of review for considering the reasonableness of a stipulation has been discussed in a number of prior Commission proceedings. See, e.g., *In re Cincinnati Gas & Elect. Co.*, Case No. 91-410-EL-AIR, Order on Remand (Apr. 14, 1994); *In re Western Reserve Tele. Co.*, Case No. 93-230-TP-ALT, Opinion and Order (Mar. 30, 1994); *In re Ohio Edison Co.*, Case No. 91-698-EL-FOR, et al., Opinion and Order (Dec. 30, 1993); *In re Cleveland Elect. Illum. Co.*, Case No. 88-170-EL-AIR, Opinion and Order (Jan. 30, 1989); and *In re Cincinnati Gas and Elect. Co.*, Case No. 84-1187-EL-UNC, Opinion and Order (Nov. 26, 1985). The ultimate issue for our consideration is whether the agreement, which embodies considerable time and effort by the signatory parties, is reasonable and should be adopted. In considering the reasonableness of a stipulation, the Commission has used the following criteria:

- (a) Is the settlement a product of serious bargaining among capable, knowledgeable parties?
- (b) Does the settlement, as a package, benefit ratepayers and the public interest?
- (c) Does the settlement package violate any important regulatory principle or practice?

The Ohio Supreme Court has endorsed the Commission's analysis using these criteria to resolve issues in a manner economical to ratepayers and public utilities. *Indus. Energy Consumers of Ohio Power Co. v. Pub. Util. Comm.*, 68 Ohio St.3d 559, 561, 629 N.E.2d 423 (1994), citing *Consumers' Counsel v. Pub. Util. Comm.*, 64 Ohio St.3d 123, 126, 592 N.E.2d 1370 (1992). The Court stated in that case that the Commission may place substantial weight on the terms of a stipulation, even though the stipulation does not bind the Commission. *Consumers' Counsel* at 126.

At the September 30, 2014 hearing, Roger Sarver, who supervises GCR audits for the Commission, testified that the stipulation resulted from arm's length bargaining between knowledgeable, capable parties and benefits the public. Mr. Sarver additionally testified that the stipulation does not violate any regulatory practice or principle (Tr. at 8-9). Based on our review of the three-pronged test, the Commission finds the first criterion,

that the process involved serious bargaining by knowledgeable, capable parties, is met. All parties to the stipulation have been involved in numerous cases before the Commission and have consistently provided extensive and helpful information to the Commission. In addition, the stipulation also meets the second criterion. As a package, the stipulation advances the public interest by resolving all the issues raised in these matters without resulting in extensive litigation. Finally, the stipulation meets the third criterion because it does not violate any important regulatory principle or practice. Accordingly, the Commission finds that the stipulation is reasonable and should be adopted.

FINDINGS OF FACT AND CONCLUSIONS OF LAW:

- (1) Suburban is a gas and natural gas company as defined in R.C. 4905.03 and, as such, is a public utility subject to the jurisdiction and supervision of the Commission.
- (2) R.C. 4905.302, together with Ohio Adm.Code 4901:1-14-07, requires the Commission to review the purchased gas adjustment clause contained within the tariffs of each gas and natural gas company on an annual basis, unless otherwise ordered by the Commission.
- (3) On February 13, 2014, the Commission initiated these proceedings, established the audit periods, established the date upon which the audit reports must be filed, scheduled a hearing date of September 30, 2014, and directed Suburban to publish notice of the hearing.
- (4) On July 31, 2014, Staff filed a GCR audit report, an audit of the UEX mechanism, and an audit of the PIPP rider.
- (5) On September 29, 2014, a stipulation signed by all parties was filed.
- (6) Suburban published notice of the hearing within the period from 15 to 30 days prior to the date set for the hearing, in compliance with Commission requirements and R.C. 4905.302.
- (7) No public witnesses appeared to testify at the September 30, 2014 hearing. At the hearing, the stipulation was submitted, intending to resolve all issues in these cases.
- (8) The stipulation meets the criteria used by the Commission to evaluate stipulations, is reasonable, and should be adopted.



- (9) Suburban accurately calculated its GCR rates for the period of September 1, 2011, through August 31, 2013, in accordance with the uniform purchased gas adjustment clause as set forth in Ohio Adm.Code Chapter 4901:1-14, and related appendices, except for those instances noted in the GCR audit report. Further, Suburban's gas costs, which were passed through Suburban's GCR clause for the audit period, were fair, just, and reasonable.
- (10) Suburban accurately calculated the UEX rider rates during the UEX audit period.
- (11) Suburban's UEX rider rates were properly applied to customer bills during the audit period.
- (12) Suburban has properly accounted for PIPP charge-offs and recoveries for the period January 1, 2012, through December 31, 2013. Suburban has also properly implemented the PIPP Plus program with its arrearage forgiveness program.

ORDER:


It is, therefore,

ORDERED, That the stipulation of the parties be adopted and approved. It is, further,

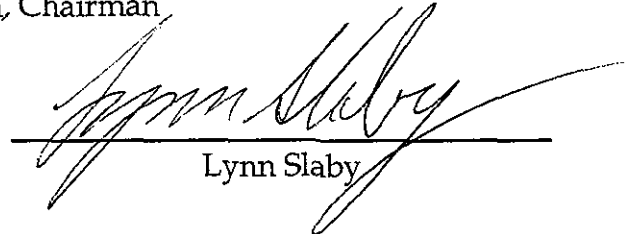
ORDERED, That nothing in this Opinion and Order shall be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,


ORDERED, That a copy of this Opinion and Order be served upon all parties and interested persons of record.


THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Thomas W. Johnson, Chairman

  
Steven D. Lesser

  
Lynn Slaby

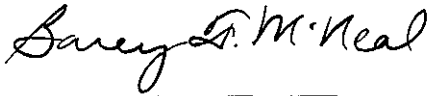
  
M. Beth Trombold

  
Asim Z. Haque

LDJ/vrm

Entered in the Journal

**FEB 03 2015**

  
Barcy F. McNeal

Barcy F. McNeal  
Secretary