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

Glenwood Energy of Oxford, Inc.

**Audit of the Uncollectible Expense Mechanisms
for the period January 2013 through December 2014
Case No. 15-310-GA-UEX**

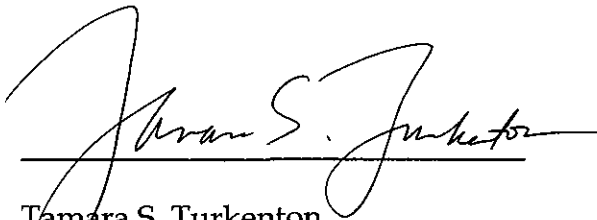
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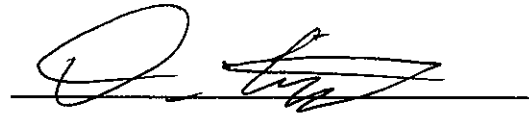
Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of Glenwood Energy of Oxford, Inc. (Glenwood or Company) Uncollectible Expense (UEX) rider rates for January 2013 through December 2014. The Staff audited the material as set forth in the Commission Entry in Case No. 15-310-GA-UEx.

Our audits have revealed certain findings, as discussed in this audit report, which should be addressed in this proceeding. The Staff notes that at the time of preparing this report, unless otherwise noted, Glenwood accurately calculated its UEX rider rates for the time period discussed in this report. The Staff has performed investigations into these specific areas and respectfully submits its findings and recommendations.



Tamara S. Turkenton
Chief, Regulatory Services Division
Public Utilities Commission of Ohio



David Lipthratt
Chief, Research and Policy Division
Public Utilities Commission of Ohio

Glenwood Energy of Oxford, Inc. Uncollectible Expense Rider

Introduction

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 allowed for recovery of actual bad/uncollectible debt through a rider, rather than through base rates.

Background

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.

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. On May 29, 2009, Glenwood filed an application to establish its first UEX rider in Case No. 09-439-GA-UEx. A rider rate of \$0.08 per Mcf was approved by the Commission on September 30, 2009.

Staff's Review

For this audit, Staff reviewed Glenwood's collection practices and procedures that were implemented on December 17, 2008, and in effect during the audit period. Staff also reviewed Glenwood's General Ledger (GL) Report, the History Report, and Transaction Posting Register to verify that collections were properly credited to customer accounts. A more specific review is detailed below:

Upon initiating the audit, Glenwood submitted its 2013 and 2014 Annual Budget Reconciliation (ABR) to Staff for review. The ABRs shows the monetary amounts written-off as bad debt or uncollectible, and the amounts recovered through the UEX rider and collection activity. The ABRs also include carrying charges, payments to the outside collection agency, and gas sales volumes applicable to the UEX rider. Staff agrees to the Company's December 2014 ending balance of (\$39,606.45) in the ABR (See Attachment 1 for Staff's accounting of the Company's ABR for the audit period).

Staff reviewed Glenwood's 2013 and 2014 bad debt write-offs of \$47,793.88 and \$53,041.05, respectively and recoveries of \$9,454.31 and \$1,853.14, respectively to determine their accuracy. Staff conducted this review by recalculating monthly bad debt write-offs and recoveries from the Company's Transaction Posting Register (Register). The Register contained pertinent customer information that could be traced back to the accounts that were submitted for write-off.

The UEX rider rate changed from \$0.2600 per Mcf to \$0.0459¹ per Mcf October 1, 2013. Staff reviewed and recalculated the recoveries collected each month with Staff's verified sales volumes². Staff found that although the new rates went into effect on October 1, 2013, Glenwood did not bill the current UEX rider rate until the January 2014 billing cycle which caused a \$29,448 over-collection of recoveries billed through the rider from October 2013 through December 2013. Staff recommends that the Commission direct Glenwood to include the over-collection in its next UEX Rider rate application. Staff randomly reviewed 25 customer accounts to determine the accuracy of amounts written-off and applied to the bad debt rider account. Staff found no exceptions.

Staff verified that the Company followed Staff's recommendation to write-off accounts for non-payment at a minimum of 60 days to a maximum of 180 days³. Glenwood's average time to write-off bad debt accounts during the audit period was 146 days.

In Glenwood's June 7, 2013 audit report, Staff recommended Glenwood assess the value of utilizing an outside collection agency versus internal staff in collecting its bad debts. Staff suggested that collections could be handled by internal staff at possibly a lower price. Glenwood agreed with Staff and canceled its vendor contract at the end of December 2013.

Staff's Findings

Glenwood did not bill the current UEX rider rate until the January 2014 billing cycle. This caused a \$29,448 over-collection of recoveries billed through the rider from October 2013 through December 2013.

¹ In Case No. 13-310-GA-UEx, Glenwood filed an application to revise its UEX rider from \$0.2600 per Mcf to \$0.0459 per Mcf. On September 18, 2013, the Commission approved the Company's application. On September 18, 2013, Glenwood filed its new tariff effective October 1, 2013.

² Verified sales volumes in Case No. 15-210-GA-GCR, *Financial Audit of the Gas Cost Recovery Mechanisms for the Effective GCR Periods January 1, 2013 through December 31, 2014* (GCR Audit). Staff removed sales volumes attributed to delivery of gas to Walmart for the months of January through April, 2013 to determine actual UEX recoveries for that time period.

³ In previous UEX audits of local distribution companies (LDCs), Staff has recommended that the LDCs write-off accounts for non-payment at a minimum of 60 days to a maximum 180 days. Case No. 13-310-GA-UEx (Glenwood Energy of Oxford, Inc.), Case No. 12-309-GA-UEx (Northeast Ohio Gas Company), Case No. 12-312-GA-UEx (Orwell Natural Gas), Case No. 14-313-GA-UEx (Piedmont Gas Company), and Case No. 09-217-GA-GCR (Glenwood Gas-and Oil Company).

Glenwood Energy of Oxford, Inc.
Case No. 15-310-GA-UEx

For the period 2013 and 2014, no exceptions to the customer bad debt amounts written-off or to the monthly recoveries collected from customers. Additionally, Staff believes sufficient attempts were made to collect on past due accounts and that customer payments were properly credited to their bad debt account.

Staff's Recommendations

Staff recommends that in the next UEX rider application, that Glenwood apply the UEX rider to customer bills when the tariff takes effect and employ additional internal controls to verify amounts when reconciling the ABR.

Staff recommends that the Commission direct Glenwood to include the \$29,448 over-collection in its next UEX Rider rate application.

Glenwood Energy of Oxford, Inc.
Case No. 15-310-GA-UEx

GLENWOOD ENERGY OF OXFORD, INC.
UNCOLLECTIBLE ACCOUNTS EXPENSE RIDER

ANNUAL BALANCE RECONCILIATION

Staff Calculations

ATTACHMENT 1 SHEET 1 OF 2

2013

	January	February	March	April	May	June	July	August	September	October	November	December
(1) Balance - Beginning of Month	\$11,765.05	(\$8,982.36)	(\$27,239.83)	(\$39,639.12)	(\$48,573.73)	(\$52,987.41)	(\$49,910.18)	(\$28,040.56)	(\$31,564.14)	(\$29,386.36)	(\$36,313.49)	(\$43,278.03)
(2) Bad Debts Written Off	\$0.00	\$0.00	\$4,660.58	\$0.00	\$0.00	\$ 5,437.09	\$24,181.25	\$0.00	\$5,421.27	\$0.00	\$4,720.38	\$3,373.31
(3) Recovery - Base Rates	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(4) Recovery - Bad Debt Rider (a)	\$20,754.50	\$17,942.60	\$16,137.42	\$8,653.06	\$3,648.32	\$1,875.38	\$2,071.42	\$2,050.10	\$2,358.98	\$6,087.12	\$11,315.46	\$18,358.60
(5) Recovery - Other (b)	\$ 234.23	\$ 179.54	\$ 778.80	\$ -	\$ 472.59	\$ 201.33	\$ -	\$ 1,280.69	\$ 686.68	\$ 684.22	\$ 102.00	\$ 4,834.23
(6) Incremental Bad Debt (2)-[(3)+(4)+(5)]	(\$20,988.73)	(\$18,122.14)	(\$12,255.64)	(\$8,653.06)	(\$4,120.91)	\$3,360.38	\$22,109.83	(\$3,330.79)	\$2,375.61	(\$6,771.34)	(\$6,697.08)	(\$19,819.52)
(7) Balance Subtotal (1)+(6)	(\$9,223.68)	(\$27,104.50)	(\$39,495.47)	(\$48,292.18)	(\$52,694.64)	(\$49,627.03)	(\$27,800.35)	(\$31,371.35)	(\$29,188.53)	(\$36,157.70)	(\$43,010.57)	(\$63,097.55)
(8) Carrying Charges (((1)+(7))/2)x(d)	\$241.32	(\$135.33)	(\$143.66)	(\$281.54)	(\$292.78)	(\$283.14)	(\$240.21)	(\$192.79)	(\$197.82)	(\$155.79)	(\$267.47)	(\$398.91)
(9) Balance - End of Month (7)+(8)	(\$8,982.36)	(\$27,239.83)	(\$39,639.12)	(\$48,573.73)	(\$52,987.41)	(\$49,910.18)	(\$28,040.56)	(\$31,564.14)	(\$29,386.36)	(\$36,313.49)	(\$43,278.03)	(\$63,496.46)

Glenwood Energy of Oxford, Inc.
Case No. 15-310-GA-UEx

GLENWOOD ENERGY OF OXFORD, INC.
UNCOLLECTIBLE ACCOUNTS EXPENSE RIDER

ANNUAL BALANCE RECONCILIATION

Staff Calculations

ATTACHMENT 1 SHEET 2 OF 2

2014

	January	February	March	April	May	June	July	August	September	October	November	December
(1) Balance - Beginning of Month	(\$63,496.46)	(\$67,718.61)	(\$72,765.31)	(\$73,203.73)	(\$75,489.33)	(\$71,324.65)	(\$64,916.99)	(\$65,914.61)	(\$66,752.35)	(\$67,722.79)	(\$35,064.79)	(\$37,055.32)
(2) Bad Debts Written Off	\$1,060.21	\$0.00	\$3,228.13	\$0.00	\$5,389.60	\$7,329.80	\$0.00	\$0.00	\$0.00	\$34,138.69	\$1,023.11	\$871.51
(3) Recovery - Base Rates	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(4) Recovery- Bad Debt Rider (a)	\$4,754.14	\$4,000.23	\$2,962.02	\$1,475.00	\$676.43	\$413.15	\$377.99	\$342.09	\$468.04	\$866.45	\$2,266.04	\$3,096.23
(5) Recovery - Other (b)	\$ 38.00	\$ 521.62	\$ 159.20	\$ 255.08	\$ -	\$ -	\$ 130.85	\$ -	\$ -	\$ 230.22	\$ 478.17	\$ 40.00
(6) Incremental Bad Debt (2)-[(3)+(4)+(5)]	(\$3,731.93)	(\$4,521.85)	\$106.91	(\$1,730.08)	\$4,713.17	\$6,916.65	(\$508.84)	(\$342.09)	(\$468.04)	\$33,042.02	(\$1,721.10)	(\$2,264.72)
(7) Balance Subtotal (1)+(6)	(\$67,228.39)	(\$72,240.46)	(\$72,658.39)	(\$74,933.81)	(\$70,776.15)	(\$64,408.00)	(\$65,425.83)	(\$66,256.71)	(\$67,220.39)	(\$34,680.77)	(\$36,785.88)	(\$39,320.04)
(8) Carrying Charges (((1)+(7))/2)x(d)	(\$490.22)	(\$524.85)	(\$545.34)	(\$555.52)	(\$548.50)	(\$509.00)	(\$488.79)	(\$495.64)	(\$502.40)	(\$384.01)	(\$269.44)	(\$286.41)
(9) Balance - End of Month (7)+(8)	(\$67,718.61)	(\$72,765.31)	(\$73,203.73)	(\$75,489.33)	(\$71,324.65)	(\$64,916.99)	(\$65,914.61)	(\$66,752.35)	(\$67,722.79)	(\$35,064.79)	(\$37,055.32)	(\$39,606.45)