

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Regulation of the :
Purchased Gas Adjustment Clause : Case No. **15-204-GA-GCR**
Contained Within the Rate Schedules of :
Foraker Gas Company, Inc. and :
Related Matters. :

STIPULATION AND RECOMMENDATION

This case is before the Public Utilities Commission of Ohio (“Commission”) pursuant to Rules 4901:1-14-07 and 4901:1-14-08, Ohio Administrative Code (“O.A.C.”) for review of the *Financial Audit of the Gas Cost Recovery Mechanisms for the Costs Incurred and Included for Recovery for the Months February 2014 through January 2015* (“Audit Report”) prepared by the Commission staff (“Staff”) and filed herein on October 21, 2015. Foraker Gas Company, Inc. (“Foraker”) has reviewed the Audit Report, endorses the Staff findings and recommendations contained therein, and agrees to abide by those findings and recommendations. There being no matters in dispute, Foraker and Staff (individually, a “Party,” collectively, the “Parties”)¹ hereby submit this Stipulation and Recommendation (“Stipulation”) pursuant to Rule 4901-1-30, O.A.C., as their agreed resolution of all issues in the instant proceeding.

¹ Staff is considered a party for purposes of entering into stipulations by virtue of Rule 4901-1-10(C), O.A.C.

Although the Parties recognize that this Stipulation is not binding upon the Commission, the Parties respectfully submit that this Stipulation, which is not opposed by any Party to this proceeding, is supported by the record, represents a just and reasonable resolution of the issues involved, violates no regulatory principle or precedent, and is in the public interest. Accordingly, this Stipulation is entitled to careful consideration and should be adopted by the Commission.

The agreement of the Parties reflected in this Stipulation is expressly conditioned upon its acceptance without material modification by the Commission. If the Commission rejects or modifies all or any part of this Stipulation or imposes additional conditions or requirements upon the Parties, each Party shall have the right, within thirty (30) days of issuance of the Commission's order, to file an application for rehearing or to terminate and withdraw the Stipulation by filing a notice with the Commission. Upon rehearing, either Party may terminate and withdraw the Stipulation by filing a notice with the Commission within thirty (30) days of the Commission's order on rehearing.

Upon notice of termination and withdrawal by either Party pursuant to the above provisions, the Stipulation shall immediately become null and void. In such event, a hearing shall go forward and the Parties shall be afforded the opportunity to present evidence through witnesses, to cross-examine all witnesses, to present rebuttal testimony, and to brief all issues, which shall be decided by the Commission based upon the record and briefs as if this Stipulation had never been executed.

Subject to the terms and conditions set forth herein, the Parties hereto agree, stipulate, and recommend that the Commission find as follows:

1. Foraker is a public utility within the definition of Section 4905.02, Revised Code, and a natural gas company within the meaning of Section 4905.03(E), Revised Code, and, as such, is subject to the jurisdiction and supervision this Commission pursuant to Sections 4905.04, 4905.05, and 4905.06, Revised Code.

2. Section 4905.302, Revised Code, and Rule 4901:1-14-07, O.A.C., require that the Commission conduct, or cause to be conducted, periodic financial audits of each natural gas company. This matter is properly before the Commission pursuant to said statute and rule, and the Commission has jurisdiction to determine the issues involved.

3. By entry dated February 19, 2015, the Commission directed its Staff to conduct an audit of the operation of the Foraker gas cost recovery (“GCR”) rate for the period February 1, 2014 through January 31, 2015. Pursuant to this directive, Staff performed such an audit and filed its Audit Report containing its findings and recommendations in this docket on October 21, 2015. The Audit Report shall be designated as Commission-Ordered Exhibit 1 and admitted into evidence in this proceeding.

4. This Stipulation shall be designated as Joint Exhibit 1 and admitted into evidence in this proceeding.

5. Rule 4901:1-14-08(C), O.A.C., requires that the subject natural gas company publish notice of the hearing in its GCR audit proceeding at least fifteen (15) but not more than thirty (30) days prior to the scheduled date of the hearing by: (1) a display ad in a newspaper or newspapers of general circulation throughout its service area; (2) a bill message or bill insert included with the customer bills; or (3) a separate direct mailing to customers. Foraker has elected to provide notice of the hearing in this case by newspaper

publication as authorized by Rule 4901:1-14-08(C)(1), O.A.C., and caused the legal notice in the form prescribed by the Commission to be published December 2, 2015 in *The Perry County Tribune*, a newspaper of general circulation throughout its service area. The publisher's affidavit attesting to the publication of the legal notice shall be designated as Foraker Exhibit 1 and admitted into evidence in this proceeding.

6. As noted in Section III of the Audit Report, Staff determined that there was a significant difference between monthly purchase volumes and monthly sales volumes during the period covered by the audit. After investigating the matter, Foraker reported that these differences were primarily attributable to one industrial customer meter that was reading fast (i.e., registering more gas as going through the meter than was actually being delivered), and immediately replaced the malfunctioning meter in August 2015. The effect of this meter malfunction was to overstate sales/special contract volumes for the audit period, which, in turn, resulted in billed GCR rates that were understated. As explained in the Audit Report, if Staff were to adjust the GCR customer sales volumes to account for the impact of the malfunctioning meter on the monthly GCR rates charged during the audit period, there would be a significant Actual Adjustment in Foraker's favor. However, Foraker has agreed not to seek any adjustment to the GCR rate to reflect the overstatement of GCR volumes during the period covered by the audit and supports Staff's use of the reported volumes for purposes of calculating the Actual Adjustment in this case.

7. Foraker and the industrial customer in question have agreed upon a mutually-acceptable refund amount to reflect the overpayment by the customer due to the

meter malfunction. The agreed refund credit to the customer will be determined based on an estimate of the amount of the overpayment for the months of May, June, and July 2015. Foraker shall incorporate in its Actual Adjustment calculations the understatement of GCR volumes created by the meter malfunction for those months; provided, however, that, in no event, shall the resulting reconciliation adjustment to the GCR rate exceed the amount credited to the industrial customer as a result of the agreed refund.²

8. Foraker agrees to comply with the Audit Report recommendation that it closely monitor the new meter installed for the industrial customer in question to ensure that it is registering accurately. Consistent with that recommendation, Foraker and the industrial customer have agreed that the new meter will be tested annually.

9. Foraker accurately calculated the monthly GCR rates for the period covered by the audit, except for the Actual Adjustment calculation resulting from incorrectly reported purchased gas costs and the use of the wrong EGC rates in April and June of 2014 identified in Section IV of the Audit Report. Foraker agrees with and accepts the Staff's recommended reconciliation adjustment in the customers' favor in the amount of \$431 to correct these errors, and will include this adjustment in its first quarterly GCR filing following the Commission's Order in this case.

10. Foraker shall comply with the Staff recommendation in Section IX of the Audit report that Foraker continue to examine its documentation to ensure that it is capable of providing the necessary support for its GCR calculations

² Consistent with this limitation, Foraker agrees that there should be no adjustment to the August 2015 GCR to reflect that the meter was not replaced until the middle of that month.

11. The Parties agree and recommend that the Commission adopt this Stipulation as its resolution of the issues presented by this case and find that, subject to the exception noted in Paragraph 9 above, Foraker's GCR rates during the audit period were fair, just, and reasonable.

The undersigned hereby stipulate represent that they are authorized to enter into this Stipulation on behalf of Foraker and Staff, respectively, on this 16th day of December, 2015.

FORAKER GAS COMPANY, INC.

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

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Summary: Stipulation and Recommendation submitted by Assistant Attorney General Thomas McNamee on behalf of the Staff of the Public Utilities Commission of Ohio. electronically filed by Kimberly L Keeton on behalf of Public Utilities Commission of Ohio