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**A report by the Staff of the  
Public Utilities Commission of Ohio  
Piedmont Gas Company  
16-313-GA-UEx  
Audit of the Uncollectible Expense  
Rider for the period of January  
2014 through December 2015  
April 15, 2016**

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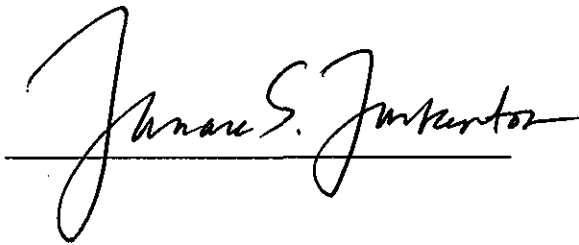
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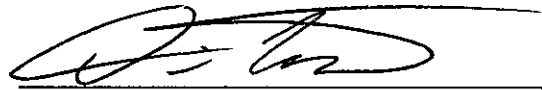
## Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of Piedmont Gas Company (Piedmont or Company) Uncollectible Expense (UEX) rider rates for January 2014 through December 2015. The Staff audited the material as set forth in the Commission Entry in Case No. 16-313-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, Piedmont 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.

A handwritten signature in black ink, reading "Tamara S. Turkenton", written over a horizontal line.

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

A handwritten signature in black ink, reading "David Lipthratt", written over a horizontal line.

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

## **Piedmont Gas Company Uncollectible Expense Rider**

### **Background**

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.

On October 1, 2010 in Case No. 09-1862-GA-AIR, Piedmont entered into a stipulation to resolve issues related to its rate case. As a result of the stipulation, Piedmont established its initial UEX similar to those approved in Case No. 03-1127-GA-UNC. On October 15, 2010, the Commission approved the stipulation and the uncollectible expense mechanism was set at \$0.02385 per Mcf. The UEX rider continued to be billed at this rate through the current audit period.

### **Staff Review**

Piedmont reported that for the current audit period, 27 accounts totaling \$7,274.70 were written-off as bad debt and \$651.82 was recovered from current and previously written-off accounts.

In determining Piedmont's uncollectible expenses, Staff reconciled the 2014 and 2015 account balances that were written-off. Piedmont calculated its write-offs each month, recognizing only those accounts where the customer had moved from the billing address or did not pay on their account for at least 60 days. Staff then analyzed the Company's practice of writing off a bad debt account by determining the number of days between the last payment and the date the account was actually written off. For 2014, Staff determined the average number of days between the last payment and the write-off date was 77 days and for 2015, the average number of days to write-off an account increased to 120 days.

In Case No. 14-313-GA-UEX (Piedmont 2014 UEX Case), Staff recommended that Piedmont establish a written policy regarding writing-off accounts. In a stipulation filed on June, 10, 2014, Piedmont agreed to Staff's recommendation. For the current audit, Staff requested that the Company produce a copy of its write-off policy and found that the Company still does not have a written policy in place. Also from the Piedmont 2014 UEX Case, the Commission ordered that Piedmont set its December 2013 ending balance to (\$18.77); however, Piedmont's application did not utilize the correct beginning balance of (\$18.77) as ordered in the Piedmont 2014 UEX Case.

Staff relied upon the billing histories provided by the Company to re-calculate the write-offs for 2014 and 2015. Staff confirmed that the Company's write-off amounts were correctly applied to the UEX Rider during the current audit period.

Staff also confirmed that Piedmont accurately calculated the recovery of bad debt repaid by customers in 2014 and 2015 by utilizing Staff's sales volumes report from Case No. 16-213-GA-

GCR and UEX rider rates from Piedmont's customer billing. The result of Staff's 2014 and 2015 Annual Budget Reconciliation (ABR) are shown on Attachment 1 and 2.

### **Conclusions**

In its examination, Staff found that the amounts written-off and applied to the UEX Rider and the amount collected from bad debt accounts are accurate.

Staff found that Piedmont did not maintain a formal written policy and procedure to determine when to write-off a bad debt account as agreed to in the 2014 Stipulation.

Staff found that Piedmont did not revise its December 2013 ending balance to (\$18.77) per the 2014 Stipulation.

### **Recommendations**

Staff recommends that the Commission order Piedmont to maintain a formal policy that determines when to write-off a bad debt account and the collection procedures and to provide Staff with a copy, within 90 days, to ensure compliance.

Staff recommends that the Commission order Piedmont to adopt Staff's recalculated write-off amounts for 2014 and 2015 as shown on Attachment 1 and 2 and that the ending balance be \$5,588.37 as shown on Line 9 of Attachment 2.

# ATTACHMENT 1

Piedmont Gas Company  
Uncollectible Accounts Expense Rider Reconciliation  
Case No. # 14-313-GA-UEX  
January 1, 2014 Through December 2014

|                                    | 2014       |            |            |            |            |            |            |            |            |            |            |            |
|------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|                                    | January    | February   | March      | April      | May        | June       | July       | August     | September  | October    | November   | December   |
| 1 Balance - Beginning of Month     | (\$18.77)  | (\$112.58) | (\$180.16) | \$460.78   | \$1,261.31 | \$1,866.86 | \$2,076.85 | \$2,529.89 | \$2,513.35 | \$2,493.29 | \$3,810.13 | \$4,609.55 |
| 2 Bad Debts Written Off            | \$0.00     | \$0.00     | \$704.99   | \$842.78   | \$629.06   | \$227.80   | \$471.00   | \$0.00     | \$0.00     | \$1,346.82 | \$856.96   | \$0.00     |
| 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 Debts Rider (a)     | \$93.81    | \$67.58    | \$64.05    | \$42.25    | \$23.52    | \$17.80    | \$17.96    | \$16.54    | \$20.06    | \$29.98    | \$57.54    | \$60.14    |
| 5 Recovery - Other (b)             | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     |
| 6 Incremental Bad Debt (2-(3+4+5)) | (\$93.81)  | (\$67.58)  | \$640.94   | \$800.53   | \$605.54   | \$210.00   | \$453.04   | (\$16.54)  | (\$20.06)  | \$1,316.84 | \$799.42   | (\$60.14)  |
| 7 Balance Subtotal (1+6)           | (\$112.58) | (\$180.16) | \$460.78   | \$1,261.31 | \$1,866.86 | \$2,076.85 | \$2,529.89 | \$2,513.35 | \$2,493.29 | \$3,810.13 | \$4,609.55 | \$4,549.41 |
| 8 Carrying Charges ((1+7)/2 x d    | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     |
| 9 Balance End of Month (7+8)       | (\$112.58) | (\$180.16) | \$460.78   | \$1,261.31 | \$1,866.86 | \$2,076.85 | \$2,529.89 | \$2,513.35 | \$2,493.29 | \$3,810.13 | \$4,609.55 | \$4,549.41 |
| Actual Sales Volumes (MCF)         | 76,890     | 55,393     | 52,503     | 34,627     | 19,275     | 14,594     | 14,725     | 13,554     | 16,445     | 24,574     | 47,161     | 49,296     |
| times Current Bad Debt Rider       | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  |
| (a) Recovery - Bad Debt Rider      | \$93.81    | \$67.58    | \$64.05    | \$42.25    | \$23.52    | \$17.80    | \$17.96    | \$16.54    | \$20.06    | \$29.98    | \$57.54    | \$60.14    |

## ATTACHMENT 2

Piedmont Gas Company  
Uncollectible Accounts Expense Rider Reconciliation  
Case No. # 15-313-GA-UEx  
January 1, 2015 Through December 2015

|                                    | 2015       |            |            |            |            |            |            |            |            |            |            |            |
|------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|                                    | January    | February   | March      | April      | May        | June       | July       | August     | September  | October    | November   | December   |
| 1 Balance - Beginning of Month     | \$4,549.41 | \$4,471.86 | \$4,362.57 | \$4,578.88 | \$4,448.22 | \$4,426.46 | \$5,622.17 | \$5,669.56 | \$5,650.90 | \$5,629.68 | \$5,610.84 | \$5,010.82 |
| 2 Bad Debts Written Off            | \$0.00     | \$0.00     | \$277.37   | \$0.00     | \$0.00     | \$1,214.06 | \$66.78    | \$0.00     | \$0.00     | \$9.65     | \$0.00     | \$627.43   |
| 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 Debts Rider (a)     | \$77.55    | \$109.29   | \$61.06    | \$35.39    | \$21.77    | \$18.34    | \$19.39    | \$18.66    | \$21.22    | \$28.49    | \$43.45    | \$49.89    |
| 5 Recovery - Other (b)             | \$0.00     | \$0.00     | \$0.00     | \$95.26    | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$556.56   | \$0.00     |
| 6 Incremental Bad Debt (2-(3+4+5)) | (\$77.55)  | (\$109.29) | \$216.31   | (\$130.65) | (\$21.77)  | \$1,195.72 | \$47.39    | (\$18.66)  | (\$21.22)  | (\$18.84)  | (\$600.01) | \$577.54   |
| 7 Balance Subtotal (1+6)           | \$4,471.86 | \$4,362.57 | \$4,578.88 | \$4,448.22 | \$4,426.46 | \$5,622.17 | \$5,669.56 | \$5,650.90 | \$5,629.68 | \$5,610.84 | \$5,010.82 | \$5,588.37 |
| 8 Carrying Charges ((1+7)/2 x d    | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     |
| 9 Balance End of Month (7+8)       | \$4,471.86 | \$4,362.57 | \$4,578.88 | \$4,448.22 | \$4,426.46 | \$5,622.17 | \$5,669.56 | \$5,650.90 | \$5,629.68 | \$5,610.84 | \$5,010.82 | \$5,588.37 |
| Actual Sales Volumes (MCF)         | 63,566     | 89,582     | 50,052     | 29,012     | 17,841     | 15,034     | 15,895     | 15,298     | 17,390     | 23,356     | 35,619     | 40,892     |
| times Current Bad Debt Rider       | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  | \$0.00122  |
| (a) Recovery - Bad Debt Rider      | \$77.55    | \$109.29   | \$61.06    | \$35.39    | \$21.77    | \$18.34    | \$19.39    | \$18.66    | \$21.22    | \$28.49    | \$43.45    | \$49.89    |