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

Eastern Natural Gas Company

**Audit of the Uncollectible Expense Mechanisms
For the Periods January 2017 through December 2018**

Case Number 19-307-GA-UEX

June 14, 2019

PUCO

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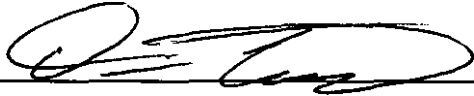
**Public Utilities
Commission**

Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of the Eastern Natural Gas Company's (Eastern or Company) uncollectible expense (UEX) rider rates for January 2017 through December 2018. The Staff audited the material as set forth in the Commission Entry in Case No. 19-307-GA-UEX.

Our audits have revealed certain findings, as discussed in this audit report, which should be addressed in this proceeding. The Staff asserts that at the time of preparing this report, unless otherwise noted, Eastern 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
Director, Rates and Analysis Department
Public Utilities Commission of Ohio



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

Eastern Natural Gas Company Uncollectible Expense Rider

Commission Entry

On January 30, 2019, the Commission authorized Staff to conduct an audit of Eastern's UEX account for the rates effective during the period January 1, 2017 through December 31, 2018. Staff has concluded its audit and hereby submits its findings in this report to the Commission.

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.

Eastern was authorized in Case No. 04-1779-GA-AIR to establish a rider recovery mechanism consistent with the Finding & Order in Case No. 03-1127-GA-UNC. On January 11, 2006, the Commission issued its Opinion and Order in that case and authorized an initial UEX rider rate of \$0.0880 per Mcf. Since that time Eastern has filed updates to adjust the rider when appropriate, and the Commission has authorized such subsequent revisions.

On December 12, 2012, in Case No. 12-2792-GA-UNC, the Commission authorized the sale of ownership of Eastern to Utility Pipeline, Ltd. In January 2013, the sale of ownership was completed.

Staff's Review

Prior to the on-site audit, Staff issued a data request for the Company's 2017 and 2018 Annual Balance Reconciliation (ABR), the 2017 and 2018 sales volumes that were used to calculate the UEX rate, copies of invoices billed by collection agencies that the Company had placed for recovery through the ABR, the Company's bad debt write-off policies and procedures, the calculations used in applying the UEX monthly rider rate to monthly sales volumes and a list of customer payments made directly to the Company.

Through Staff's investigation, Staff verified that the monthly UEX rider rates and monthly sales volumes were calculated correctly during the audit period and that Eastern correctly applied a balance adjustment in May 2018 as stipulated in Case No. 17-307-GA-UEX.

The Company employs an accounting method known as the aging method to calculate the amount of bad debt the Company encounters each month. Under the aging method, outstanding accounts

receivables are grouped by the time elapsed after the billing date or by the due date. The longer a customer's account remains uncollected, the greater is its realization risk. An aging schedule of accounts receivable may break down receivables from 1-30 days, 31-60 days, 61-90 days, and over 90 days. During the audit, Staff verified that the Company placed receivables greater than 90 days of non-payment into the UEX account.

During the previous audit, Staff discovered that Percentage of Income Payment Plan (PIPP) accounts were incorrectly included with non-PIPP accounts in the bad debt write off calculation. Staff examined Eastern's 2017 and 2018 ABR summaries which showed the amount of bad debts written off as \$129,408.27 for 2017 and \$33,175.67 for 2018. Staff has determined that these amounts are incorrect because the Company continued to include PIPP accounts in its bad debt write-off calculation.

In order to determine the correct balance of bad debts written off, Staff removed identifiable PIPP accounts and recalculated the monthly aging receivables and came up with a bad debt balance of \$62,289.03 for 2017 and \$32,112.76 for 2018. Additionally, Staff made an adjustment to the Company's calculation of UEX rider collections for 2018. The calculations for the Company and Staff are shown on Table I.

TABLE I			
	Company		Staff
2017 UEX recoveries	\$	296,645.10	\$ 296,645.10
2018 UEX recoveries		184,848.75	183,761.97
Total recoveries	\$	481,493.85	\$ 480,407.07
2017 write offs	\$	129,408.27	\$ 62,289.03
2018 write offs		33,175.67	32,112.76
Total write-offs	\$	162,583.94	\$ 94,401.79
Over(under) collection	\$	318,909.91	\$ 386,005.28
Over(under) Difference (Staff minus Company)			\$ 67,095.37

In Case No. 15-314-GA-UEX, Staff reported that Eastern voluntarily suspended service disconnections for non-payment due to complications arising from installing a new billing system. During this audit period, Eastern resumed its policy of disconnecting for non-payment of service.

Staff's Recommendations

Staff recommends an adjustment to the Company's December 2018 ending balance to show an over-collected balance of \$628,577.45. Staff calculated this ending balance by adding the total over collected amount of \$386,005.28 to the previously stipulated over-collected balance of \$242,572.17 from Case No. 17-307-GA-UEx. Staff's calculation is shown on Attachments A and B.

Staff recommends that Eastern file an application to adjust its UEx rider rate within 30 days of the Commission's Order in this proceeding.

**ATTACHMENT A
EASTERN NATURAL GAS COMPANY
PUCO CASE NO. 19-307-GA-UEx
UNCOLLECTIBLE ACCOUNTS EXPENSE RIDER
2017 - 2018**

STAFF CALCULATIONS

	2017											
	January	February	March	April	May	June	July	August	September	October	November	December
(1) Balance - Beginning of Month	(\$242,572.17)	(\$296,856.04)	(\$334,904.56)	(\$361,949.64)	(\$377,478.44)	(\$376,186.85)	(\$338,975.04)	(\$385,948.71)	(\$369,707.89)	(\$367,131.32)	(\$392,193.93)	(\$435,722.41)
(2) Bad Debts Written Off	\$5,703.62	\$9,695.81	\$ 17,083.03	\$ 13,498.92	\$ 16,242.15	\$ 44,786.77	\$ (41,665.88)	\$ 21,214.50	\$ 8,796.98	\$ (17,276.91)	\$ (19,973.19)	\$ 4,183.23
(3) Collection Agency - Expenses												
(4) Collection Agency - Recovery												
(5) Recovery - Bad Debt Rider (a)	\$59,987.49	\$47,744.33	\$44,128.10	\$29,027.73	\$14,950.56	\$7,574.96	\$5,307.79	\$4,973.68	\$6,220.41	\$7,785.70	\$23,555.29	\$45,389.06
(6) Recovery - Other (b)												
(7) Incremental Bad Debt (2)+(3)-[(4)+(5)+(6)]	(\$54,283.87)	(\$38,048.52)	(\$27,045.07)	(\$15,528.81)	\$1,291.59	\$37,211.81	(\$46,973.67)	\$16,240.82	\$2,576.57	(\$25,062.61)	(\$43,528.48)	(\$41,205.83)
(8) Balance Subtotal (1)+(7)	<u>(\$296,856.04)</u>	<u>(\$334,904.56)</u>	<u>(\$361,949.64)</u>	<u>(\$377,478.44)</u>	<u>(\$376,186.85)</u>	<u>(\$338,975.04)</u>	<u>(\$385,948.71)</u>	<u>(\$369,707.89)</u>	<u>(\$367,131.32)</u>	<u>(\$392,193.93)</u>	<u>(\$435,722.41)</u>	<u>(\$476,928.24)</u>
(9) Carrying Charges {[(1)+(8)]/2}x(c)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(10) Balance - End of Month (8)+(9)	<u>(\$296,856.04)</u>	<u>(\$334,904.56)</u>	<u>(\$361,949.64)</u>	<u>(\$377,478.44)</u>	<u>(\$376,186.85)</u>	<u>(\$338,975.04)</u>	<u>(\$385,948.71)</u>	<u>(\$369,707.89)</u>	<u>(\$367,131.32)</u>	<u>(\$392,193.93)</u>	<u>(\$435,722.41)</u>	<u>(\$476,928.24)</u>

ATTACHMENT B
EASTERN NATURAL GAS COMPANY
PUCO CASE NO. 19-307-GA-UEx
UNCOLLECTIBLE ACCOUNTS EXPENSE RIDER
2017 - 2018

STAFF CALCULATIONS
2018

	January	February	March	April	May	June	July	August	September	October	November	December
(1) Balance - Beginning of Month	(\$476,928.24)	(\$535,492.33)	(\$568,153.15)	(\$611,422.10)	(\$670,440.10)	(\$663,487.59)	(\$633,992.76)	(\$629,423.07)	(\$627,677.19)	(\$633,410.19)	(\$653,276.65)	(\$640,570.50)
(2) Bad Debts Written Off	\$ 8,512.85	\$ 32,661.00	\$ 3,846.99	\$ (9,155.47)	\$ 6,952.51	\$ 29,494.83	\$ 4,569.69	\$ 1,745.88	\$ (5,733.00)	\$ (19,866.46)	\$ (356.05)	\$ (20,560.01)
(3) Collection Agency - Expenses												
(4) Collection Agency - Recovery												
(5) Recovery - Bad Debt Rider (a)	\$67,076.94	\$65,321.82	\$47,115.94	\$49,862.53	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$13,062.19)	(\$32,553.06)
(6) Recovery - Other (b)												
(7) Incremental Bad Debt (2)+(3)-[(4)+(5)]	(\$58,564.09)	(\$32,660.82)	(\$43,268.95)	(\$59,018.00)	\$6,952.51	\$29,494.83	\$4,569.69	\$1,745.88	(\$5,733.00)	(\$19,866.46)	\$12,706.14	\$11,993.05
(8) Balance Subtotal (1)+(7)	<u>(\$535,492.33)</u>	<u>(\$568,153.15)</u>	<u>(\$611,422.10)</u>	<u>(\$670,440.10)</u>	<u>(\$663,487.59)</u>	<u>(\$633,992.76)</u>	<u>(\$629,423.07)</u>	<u>(\$627,677.19)</u>	<u>(\$633,410.19)</u>	<u>(\$653,276.65)</u>	<u>(\$640,570.50)</u>	<u>(\$628,577.45)</u>
(9) Carrying Charges {[(1)+(8)] / 2} x (c)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(10) Balance - End of Month (8)+(9)	<u>(\$535,492.33)</u>	<u>(\$568,153.15)</u>	<u>(\$611,422.10)</u>	<u>(\$670,440.10)</u>	<u>(\$663,487.59)</u>	<u>(\$633,992.76)</u>	<u>(\$629,423.07)</u>	<u>(\$627,677.19)</u>	<u>(\$633,410.19)</u>	<u>(\$653,276.65)</u>	<u>(\$640,570.50)</u>	<u>(\$628,577.45)</u>