THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE REGULATION OF THE PURCHASED GAS ADJUSTMENT CLAUSES CONTAINED WITHIN THE RATE SCHEDULES OF:	
EASTERN NATURAL GAS COMPANY PIKE NATURAL GAS COMPANY AND RELATED MATTERS.	CASE NO. 19-207-GA-GCR CASE NO. 19-214-GA-GCR
IN THE MATTER OF THE UNCOLLECTIBLE EXPENSE RIDERS OF:	
EASTERN NATURAL GAS COMPANY PIKE NATURAL GAS COMPANY AND RELATED MATTERS.	CASE NO. 19-307-GA-UEX CASE NO. 19-314-GA-UEX
IN THE MATTER OF THE PERCENTAGE OF INCOME PAYMENT PLAN RIDERS OF:	
EASTERN NATURAL GAS COMPANY PIKE NATURAL GAS COMPANY AND RELATED MATTERS.	CASE NO. 19-407-GA-PIP CASE NO. 19-414-GA-PIP

OPINION AND ORDER

Entered in the Journal on October 9, 2019

I. SUMMARY

{¶ 1} The Commission approves and adopts a Stipulation and Recommendation that resolves all issues relating to the gas cost recovery, uncollectible expense, and percentage of income payment plan audits of Eastern Natural Gas Company and Pike Natural Gas Company.

II. PROCEDURAL BACKGROUND

{¶ 2} Eastern Natural Gas Company (Eastern) and Pike Natural Gas Company (Pike) (collectively, the Companies) are natural gas companies and public utilities as defined in R.C. 4905.03 and R.C. 4905.02, respectively. As such, both are subject to the jurisdiction of this Commission.

{¶ 3} Pursuant to R.C. 4905.302(C), the Commission must promulgate rules to establish a uniform purchased gas adjustment clause to be included in the schedule of natural gas companies subject to our jurisdiction, such as Pike and Eastern. Found in Ohio Adm.Code Chapter 4901:1-14, these rules separate the jurisdictional cost of gas from all other costs incurred by a natural gas company and provide for each company's recovery of these costs. This allows a natural gas company to adjust the rates charged to customers to account for fluctuations in the cost of obtaining the gas it sells to customers.

{¶ 4} R.C. 4905.302 further directs the Commission to establish investigative procedures and proceedings, including periodic reports, audits, and hearings; to examine the arithmetic and accounting accuracy of the gas costs reflected in a company's gas cost recovery (GCR) rates; and to review each company's production and purchasing policies vis-à-vis those rates. Pursuant to this authority, Ohio Adm.Code 4901:1-14-07 requires that the gas costs for each gas or natural gas company be audited annually unless otherwise ordered by the Commission. Further, Ohio Adm.Code 4901:1-14-08(A) requires the Commission to hold a public hearing at least 60 days after the filing of an audit report. Additionally, Ohio Adm.Code 4901:1-14-08(C) requires that the affected company publish notice of that hearing throughout its service territory at least 15, but no more than 30, days prior to its scheduled date.

{¶ 5} On January 30, 2019, the Commission initiated these proceedings to audit each of the Companies' compliance with the GCR mechanism as delineated in Ohio Adm.Code Chapter 4901:1-14, as well as the Companies' uncollectible expense (UEX) and percentage of income payment plan (PIPP) riders. The January 30, 2019 Entry directed Staff to conduct the required audits, established an audit period for all three audits of January 1, 2017, through December 31, 2018, instructed the GCR audit reports be filed at least 60 days before hearing, and scheduled the hearing for August 13, 2019. The Entry also ordered the Companies to publish required legal notices.

{¶ 6} On June 14, 2019, Staff filed the GCR, UEX, and PIPP audit reports in the correspondingly designated case dockets.

{¶ 7} On August 12, 2019, the Companies filed an unopposed motion requesting a continuance of the hearing. By Entry issued August 13, 2019, the attorney examiner granted the Companies' motion, continued the hearing to September 12, 2019, and instructed the Companies to publish notice of the hearing.

{¶ 8} On September 10, 2019, the Companies and Staff filed a Stipulation and Recommendation (Stipulation) encompassing all audits ordered and performed in these proceedings.

{¶ 9} The hearing proceeded as rescheduled on September 12, 2019. Staff offered into evidence the Stipulation (Jt. Ex. 1), as well as the following Commission-Ordered exhibits: the Companies' GCR audit report (C-O Ex. 1), Eastern's UEX audit report (C-O Ex. 2), Pike's UEX audit report (C-O Ex. 3), and the Companies' PIPP audit report (C-O Ex. 4). The Companies introduced a copy of Eastern's publication of a hearing notice dated August 22, 2019, in the Trumbull Free Press, which does not provide proofs of publication (Co. Ex. 1; Tr. at 17), and two proofs of publication of the notice: one for Eastern on August 22, 2019, in The Review Newspapers (Co. Ex. 2), and one for Pike on August 21, 2019, in the Hillsboro Times Gazette (Co. Ex. 3). All exhibits were admitted to the record (Tr. at 15, 18). Mr. Roger Sarver testified on behalf of Staff, and Mr. Ryker Locke testified on behalf of the Companies; no members of the public appeared or offered testimony.

III. Discussion

A. *Summary of the GCR Audit Report*

1. Introduction

{¶ 10} To begin, Staff provides background information on the Companies. Staff notes that, prior to 2017, the Companies were wholly-owned subsidiaries of Utility Pipeline

Ltd. (UPL), which currently operates as a natural gas distribution management company headquartered in Canton, Ohio. However, on January 11, 2017, the Commission approved the Companies' application for a change in ownership rights from UPL to Utility Pipeline Holdings, LLC. *In re Eastern Natural Gas Co. and Pike Natural Gas Co.*, Case No. 16-1825-GA-UNC, Finding and Order (Jan. 11, 2017). (C-O Ex. 1 at 4.)

{¶ 11} Eastern provides utility sales service to approximately 6,607 residential and commercial customers and four industrial customers in eastern portions of Ashtabula and Trumbull Counties. Eastern receives a majority of its system requirements through National Fuel Gas Supply, with approximately 13 percent received through Dominion East Ohio and one percent from local production that is delivered directly into its systems. On March 1, 2018, Eastern filed a joint application with Village Energy Cooperative Association, Inc. (Village Energy) requesting Commission approval to transfer 100 percent of its assets and customers from Eastern to Village Energy. *In re Joint Application for Authority to Substitute Natural Gas Service and Transfer Assets and Customers*, Case No. 18-369-GA-ATR. Staff reports that, if the Commission approves the application, this will be the last GCR audit for Eastern. (C-O Ex. 1 at 4.)

{¶ 12} Pike's system is separated into two service areas, Hillsboro and Waverly. Because the two service areas are not interconnected and are served by different interstate pipelines, Pike files separate GCR rates for each area. Pike-Hillsboro currently serves approximately 3,735 residential, commercial, and industrial customers in Highland and Clinton Counties; it receives its gas supply through Columbia Gas Transmission Corporation. Pike-Waverly serves approximately 3,655 residential, commercial, and industrial customers in Pike, Ross, and Jackson Counties; it receives its gas supply through Tennessee Gas Pipeline. Together, the two systems provide transportation service to five customers. (C-O Ex. 1 at 4.)

2. Expected Gas Cost

{¶ 13} The expected gas cost (EGC) mechanism attempts to match future gas revenues for the upcoming quarter with the anticipated cost to procure gas supplies. The EGC is calculated by extending 12 months of historical purchased volumes from each supplier by the rate that is expected to be in effect during the upcoming quarter. The cost for each supplier is summed and the total is divided by 12 months of historical sales to develop an EGC rate to be applied to customer bills. In reviewing the Companies' EGC calculations, Staff offers observations regarding supply sources, purchased volumes, and sales volumes. (C-O Ex. 1 at 5.)

{¶ 14} With regard to supply sources, Staff reports that CenterPoint purchased and nominated nearly all of the Companies' supplies, with Constellation and local production rounding out the total. Under terms of an asset management agreement (AMA), the Companies released their pipeline capacity—both firm transportation and storage—to CenterPoint which, as the asset manager, is responsible for purchasing supplies and nominating the gas to the Companies' city gates. CenterPoint bills Eastern and Pike commodity rates based on the New York Mercantile Exchange monthly closing price plus price add-ons that recover their respective pipeline capacity costs (fixed and volumetric) plus management fees. Staff found no errors in sales volumes for the monthly periods under investigation for either of the Companies. (C-O Ex. 1 at 5.)

{¶ 15} As to Eastern's purchased volumes, Staff states that it reviewed invoices from CenterPoint, local producers, and Eastern's transport customers and determined that most of the purchases were made through CenterPoint for jurisdictional sales and transport customers. Staff removed the applicable transport customers' volumes to arrive at the jurisdictional purchased volumes. Staff found differences between its calculations and Eastern's reported purchased volumes, which were primarily related to differences in how Staff and Eastern accounted for prior period adjustments. Staff reports that the differences do not impact the actual adjustment calculation, but Staff does account for them in its unaccounted-for gas calculation. (C-O Ex. 1 at 6.)

{¶ 16} Staff reviewed Pike-Hillsboro's purchased volumes from supplier invoices for its division and, with the exception of October, November, and December 2018, found that the volumes matched those reported in the Company's periodic filings. Staff calculated 14 thousand cubic feet (Mcf or Mcfs) more than the volumes reported by the Company. Staff reflected that difference in its calculation of purchased volumes. (C-O Ex. 1 at 6.)

{¶ 17} Staff reviewed the Pike-Waverly purchased volumes by examining the invoices from CenterPoint, Constellation, and a local producer, as well as the volumes associated with Pike-Waverly transport customers, and determined that most of the purchases were made through CenterPoint to arrive at the jurisdictional purchased volumes. Staff found small differences between the purchased volumes reported by the Company and those calculated by Staff. Upon noting that, in Case No. 15-214-GA-GCR, the Commission directed Staff to monitor Pike-Waverly's practice of inserting additional entities into the procurement or delivery of gas, Staff relates that it did find an additional customer was added during the audit period. (C-O Ex. 1 at 6.)

{¶ 18} Upon its review of the EGC, Staff has no recommendations (C-O Ex. 1 at 6-7).

3. ACTUAL ADJUSTMENT

{¶ 19} The actual adjustment (AA) reconciles the monthly cost of purchased gas with the EGC billing rate. The AA is calculated by dividing the total cost of gas purchases for each month by the total sales for that month. The calculations are performed quarterly and result in the unit book cost of gas, which is the cost incurred by the company for procuring each Mcf it sold that month. The unit book cost for each month is compared with the EGC rate billed for that quarter, and the difference is multiplied by the respective monthly jurisdictional sales to identify the total of under- or over-recoveries of gas costs. The monthly under- or over-recoveries are summed and divided by the 12-month historic jurisdictional sales to develop the AA rate to be included in the GCR for four quarters. Errors in the AA calculation can result from several factors, such as incorrectly reported purchased gas costs, errors in the stated sales volumes, and use of the wrong EGC rate. (C-O Ex. 1 at 8.)

{¶ 20} For Eastern, Staff states that it examined the invoices from CenterPoint and local producers. To verify the purchased volumes, Staff removed purchases made on behalf of Eastern's transport customers to arrive at jurisdictional purchased volumes. Staff noted differences in the purchased gas costs for all months under audit. These differences, which are not self-correcting, total ($25,524)[1] and represent a decrease to Eastern's GCR rates. Thus, Staff recommends that the Commission order a reconciliation adjustment of ($25,524) for over-collection. And, in light of the fact that this could be the last GCR audit for Eastern, Staff recommends that the adjustment be passed back to Eastern's customers prior to any transfer of assets to Village Energy. (C-O Ex. 1 at 8-9.)

{¶ 21} For Pike-Hillsboro, Staff examined invoices from Atmos and found that, with the exception of October, November, and December 2018, the Company properly recorded the purchased volumes and costs. As with Eastern, Staff accounted for errors in Pike's AA calculations. Staff found that the differences, which are not self-correcting, totaled $60 for Pike-Hillsboro and, therefore, recommends a reconciliation adjustment in the same amount to be added in the first GCR filing following the Opinion and Order in these cases. (C-O Ex. 1 at 8-9.)

{¶ 22} For Pike-Waverly, Staff examined the invoices from CenterPoint, Constellation, and a local producer, Geopetro, LLC. As with Eastern, Staff removed purchases made on behalf of Pike-Waverly's transport customers to arrive at jurisdictional purchased volumes, and Staff noted differences in the purchased gas costs for all months

1 Numbers in parentheses indicate negative amounts.

under audit. These differences, which are not self-correcting and were accounted for in Staff's AA calculations, totaled ($5,320). Staff recommends an over-collection reconciliation adjustment in that amount, which should be added to the first GCR filing following the Opinion and Order in these cases. (C-O Ex. 1 at 8-9.)

4. Refund and Reconciliation Adjustment

{¶ 23} The refund and reconciliation adjustment (RA) is used to pass through the jurisdictional portion of refunds received from gas suppliers and adjustments ordered by the Commission. Staff reviewed the RA calculations in each GCR filing within the audit period and found that the reconciliation adjustments from Case No. 17-207-GA-GCR and 17-214-GA-GCR, which were ordered by the Commission on July 25, 2018, were not placed into rates until November 2018. These adjustments were included in each of the Companies' RA and are still being passed back or collected from customers through October 2019. None of the Companies received refunds from pipelines or suppliers during the audit months. (C-O Ex. 1 at 22.)

{¶ 24} Staff recommends that the Commission order Eastern to complete the ordered RA from Case No. 17-207-GA-GCR prior to receiving approval to transfer its assets to Village Energy (C-O Ex. 1 at 22).

{¶ 25} As to Pike-Hillsboro and Pike-Waverly, Staff notes that the Commission-ordered RA from Case No. 17-214-GA-GCR was properly included in rates through 2018. Staff recommends that, during the next audit, Staff verifies that the 2017 ordered adjustments were refunded or collected through October 2019. (C-O Ex. 1 at 22.)

5. Balance Adjustment

{¶ 26} The balance adjustment (BA) mechanism corrects for under- or over-recoveries of previously calculated AAs and RAs. For Eastern, Staff did not find any differences between its BA calculation and that of the Company. Therefore, Staff has no BA recommendations for Eastern. (C-O Ex. 1 at 23.)

{¶ 27} For Pike-Hillsboro, Staff found a difference in the first quarter calculation in the amount of ($2,478), which resulted in an over-collection. For Pike-Waverly, Staff found a difference in the last quarterly BA calculation in the amount of ($2,459), which also resulted in an over-collection. Staff states that these differences are not self-correcting and, therefore, recommends reconciliation adjustments in the respective amounts. Staff states that the adjustments should be applied in the first GCR filings following the Opinion and Order issued in these cases. (C-O Ex. 1 at 23-24.)

6. Customer Billing

{¶ 28} Staff recalculated customers' bills to verify that the GCR rates, as well as customer service base rate charges and taxes, were properly applied to jurisdictional customer bills during the months under investigation. After a random sampling of customer bills for the Companies, Staff found that, in general, Eastern and Pike properly billed their GCR, customer charge, and base rate to their respective customers for all months under investigation except for Pike-Waverly's May 2018 billings. Staff found that Pike-Waverly customers were billed the EGC rate instead of the GCR rate for May 2018 and incorporated that billing error into Staff's AA calculation. Staff recommends that a second Company person independently verify that the appropriate monthly GCR rates are used prior to issuing bills to customers. (C-O Ex. 1 at 33.)

7. Unaccounted-for Gas

{¶ 29} Unaccounted-for gas (UFG) is the difference between gas purchases and sales; it is calculated on a 12-month basis, ending in one of the low-usage summer months to minimize the effects of unbilled volumes on the calculation. Pursuant to Ohio Adm.Code 4901:1-14-08, the Commission may adjust any gas company's future GCR rates for UFG above a reasonable level, which is presumed to be no more than five percent for an audit period. Staff states that each of the Company's UFG levels are within acceptable levels. Accordingly, Staff has no recommendations regarding UFG. (C-O Ex. 1 at 34-35.)

B. Summary of the UEX Audit Reports

{¶ 30} Pursuant to the Commission's authorization, Staff conducted an audit of the Companies' respective UEX accounts for rates effective during the period January 1, 2017, through December 31, 2018. Prior to its onsite audit, Staff issued a data request for the Companies' 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 each Company had placed for recovery through the ABR, each 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 each Company. (C-O Ex. 2; C-O Ex. 3.)

{¶ 31} Through this investigation, Staff verified that the monthly UEX rider rates and monthly sales volumes for both Companies were calculated correctly during the audit period (C-O Ex. 2; C-O Ex. 3). Staff further found that Eastern correctly applied a balance adjustment in May 2018 as stipulated in Case No. 17-307-GA-UEX (C-O Ex. 2).

{¶ 32} Eastern and Pike use the aging method of accounting to calculate the amount of bad debt for each month. Under the aging method, outstanding accounts receivable are grouped in time periods determined by the time elapsed after the date of billing or the due date. For example, an aging schedule might categorize accounts receivable in blocks of 1-30 days, 31-60 days, 61-90 days, and over 90 days. Staff verified that both Pike and Eastern placed receivables greater than 90 days of nonpayment into the UEX account. (C-O Ex. 2; C-O Ex. 3.)

{¶ 33} During the Companies' previous audits, Staff discovered that PIPP accounts were incorrectly included with non-PIPP accounts in the bad debt write-off calculation.

Staff examined each Company's 2017 and 2018 ABR summaries, which showed the amount of bad debts written off as follows:

Company	2017	2018
Eastern	$129,408.27	$33,175.67
Pike	$124,402.05	$36,309.19

Staff, however, determined that Eastern's balances for both years, as well as Pike's balance for 2017, are incorrect due to the continued inclusion of PIPP accounts in bad debt write-off calculations. Thus, Staff removed identifiable PIPP accounts, recalculated the monthly aging receivables, and determined the correct bad debt balances as follows:

Company	2017	2018
Eastern	$62,289.03	$32,112.76
Pike	$171,475.77	$36,309.19[2]

Staff additionally made an adjustment to each Company's calculation of UEX rider collections for 2018. (C-O Ex. 2; C-O Ex. 3.)

{¶ 34} As a result of its UEX audits, Staff has recommendations for both Eastern and Pike. As to the former, Staff recommends an adjustment to Eastern's December 2018 ending balance to show an over-collected balance of $628,577.45, which Staff calculated by adding the total over-collected amount of $386,005.28 to the over-collected balance of $242,572.17 previously stipulated to in Case No. 17-307-GA-UEX (C-O Ex. 2). As to the latter, Staff recommends an adjustment to Pike's December 2018 ending balance to show an over-collected balance of $399,886.73, which Staff calculated by adding the total over-collected amount of $229,151.23 to the over-collected balance of $170,735.50 previously stipulated to in Case No. 17-314-GA-UEX (C-O Ex. 3). Staff recommends that each Company file an

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2 No error was found in Pike's 2018 bad debt write-off calculation; therefore, the balance did not change.

application to adjust its UEX rider rate within 30 days of the Commission's Order in these proceedings (C-O Ex. 2; C-O Ex. 3).

C. Summary of the PIPP Audit Report

{¶ 35} The Commission's January 30, 2019 Entry also initiated financial audits of the Companies' PIPP riders for calendar years 2017 and 2018. Eastern's and Pike's PIPP rider rates were last adjusted pursuant to Commission Orders in Case Nos. 18-407-GA-PIP and 18-414-GA-PIP, respectively, to ($0.0428) per Mcf for Eastern and ($0.0240) per Mcf for Pike. (C-O Ex. 4.)

{¶ 36} Staff explains that its audits were designed to ensure that the deferred balances on the Companies' ledgers include the correct ending balances, which would reflect all appropriate PIPP write-offs and payments. Staff initiated its audit of the Companies' PIPP riders by requesting documents of the monthly write-offs, collections through the rider, and PIPP customers' account balances for 2017 and 2018. In response, the Companies provided billing registers and customer activity reports for 2017 and 2018. (C-O Ex. 4.)

{¶ 37} First, Staff examined the Companies' billing registers to identify a PIPP customer's consumption, billed amount, and installment amount. The Companies would sum the PIPP customers' billed amounts and record the total as a write-off on the respective Company's work sheets. Staff found that its write-offs matched those of the Companies except for the month of January 2017 for Pike. Staff's January 2017 write-off for Pike was $30,269, which is $8,061 more than Pike's number of $22,208. (C-O Ex. 4.)

{¶ 38} Staff next examined customer activity reports which contained customers' monthly payments and Home Energy Assistance Program funds. Staff randomly selected customers and requested their account histories for 2017 and 2018 in order to compare account histories to the billing registers and customer activity reports to ensure accuracy. Staff did not find any discrepancies. Staff further examined the recoveries through the

Companies' respective PIPP riders by reviewing customer billings to determine when the PIPP riders went into effect and verified monthly sales volumes during the course of the respective GCR audits, upon which the Companies' rider rates were applied. Again, Staff found no discrepancies. Lastly, Staff analyzed the Companies' treatment of their respective PIPP arrearage forgiveness programs and found that the Companies implemented the programs appropriately. (C-O Ex. 4.)

{¶ 39} As a result of its PIPP audit, Staff recommends that—as a result of the discrepancy between Staff's and the Companies' write-off for Pike in January 2017—Pike adjust its January 1, 2019 beginning balance to the December 31, 2018 ending balance of ($64,510) (C-O Ex. 4).

IV. STIPULATION OF THE PARTIES

{¶ 40} On September 10, 2019, the parties filed a Stipulation that, if adopted, would resolve all issues in these proceedings. The following is a summary of the Stipulation and is not intended to supersede or replace the Stipulation.

GCR Financial Audit

{¶ 41} For Eastern, the parties agree to Staff's recommendations of an adjustment to the AA of ($25,524) for an over-collection and that the remaining six months of the Commission-ordered RA from Case No. 17-207-GA-GCR be completed prior to the Commission granting approval for Eastern to transfer its assets (Jt. Ex. 1 at 4).

{¶ 42} For Pike-Hillsboro, the parties agree to Staff's recommendation of an AA of $60 for under-collection and a BA of ($2,478) for an over-collection, the latter of which will be applied in the first GCR filing following an Opinion and Order in these proceedings. Additionally, Staff will verify that the 2017 ordered adjustments were refunded or collected through October 2019 during the next audit. (Jt. Ex. 1 at 4.)

{¶ 43} For Pike-Waverly, the parties agree to Staff's recommendation of an AA of ($5,320) for an over-collection and a BA of ($2,459) for an over-collection, the latter of which will be applied in the first GCR filing following an Opinion and Order in these proceedings. The parties further note Staff's finding that Pike-Waverly customers were improperly billed during May 2018, but otherwise agree that the Companies' respective monthly GCR rates on file with the Commission were properly billed to customers. The Companies agree to Staff's recommendation that a second Company person independently verify that the appropriate monthly GCR rates are used prior to issuing bills. (Jt. Ex. 1 at 4-5.)

{¶ 44} The parties agree that the Companies' unaccounted-for gas rates were within acceptable levels (Jt. Ex. 1 at 5).

UEX Audits

{¶ 45} Staff found that Eastern's rider rates and monthly sales volumes were calculated correctly and that Eastern correctly applied a BA as stipulated in Case No. 17-307-GA-UEX; however, Staff also found that Eastern incorrectly continued to include PIPP accounts in its bad debt write-off calculation. Further, Eastern requested that Staff review its UEX rider for the six-month period after the audit period—or from January 1, 2019, through June 30, 2019—which are the last-available balances. As a result of this latter review, Eastern agrees to adjust its June 2019 ending balance to show an over-collected balance of $598,331.45. Eastern further agrees to set its UEX rider rate at zero upon execution of the Stipulation. (Jt. Ex. 1 at 5-6.)

{¶ 46} Staff found that Pike's rider rates and monthly sales volumes were calculated correctly; however, Staff also found that Pike incorrectly continued to include PIPP accounts in its bad debt write-off calculation. Pike agrees with Staff's recommendation that Pike adjust its December 2018 ending balance to show an over-collected balance of $399,886.73. Pike further agrees to file an application to adjust its UEX rider rate within 30 days of the Commission's Order in these proceedings. (Jt. Ex. 1 at 6.)

PIPP Audits

{¶ 47} Eastern agrees that all recommendations in the PIPP audit report are reasonable and should be adopted. Additionally, Eastern requested that Staff review its PIPP rider for the six-month period after the audit period—or from January 1, 2019, through June 30, 2019—which are the last-available balances, and as a result of this review, Eastern agrees that $8,613.25 should be credited to the June 30, 2019 ending balance in Account 142.[3] (Jt. Ex. 1 at 6.)

{¶ 48} Similarly, Pike agrees that all recommendations in the PIPP audit report are reasonable and should be adopted. Specifically, Pike agrees that its January 1, 2019 beginning PIPP deferred balance should be adjusted to the December 31, 2018 ending balance of ($64,510.00). (Jt. Ex. 1 at 6.)

Final Financial Audits for Eastern

{¶ 49} The Stipulation notes that, in Case No. 18-369-GA-ATR, Eastern filed an application to transfer its assets and customers to Village Energy. And, in the course of Staff's financial audits, it verified the costs and recoveries and thus the balances of Eastern's GCR, UEX, and PIPP riders in order to close out or true-up these riders before the Commission's consideration of the proposed transfer. Staff determined that credits in the amounts of $25,524.00 (GCR), $598,331.45 (UEX), and $8,613.25 (PIPP)—for a total combined credit of $632,468.70—would true-up Eastern's GCR and zero out its UEX and PIPP riders. The parties agree that the combined credit will be applied to Eastern's customers' bills and be verified by Staff prior to any Commission approval of the transfer of assets and customers to Village Energy. The parties further agree that the combined credit by Eastern will resolve any remaining rider balances. (Jt. Ex. 1 at 7.)

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[3] As filed, the Stipulation references a December 31, 2018 ending balance (Jt. Ex. 1 at 6). During the hearing, however, Staff witness Sarver testified that the date should be changed to June 30, 2019, a modification to which the Companies agreed and stipulated was correct (Tr. at 10-11).

V. CONCLUSION

{¶ 50} Ohio Adm.Code 4901-1-30 authorizes parties to Commission proceedings to enter into a stipulation. Although not binding upon us, the Commission may afford substantial weight to the terms of such an agreement. *Consumers' Counsel v. Pub. Util. Comm.*, 64 Ohio St.3d 123, 126, 592 N.E.2d 1370 (1992). This is especially true where the stipulation is unopposed by any party and resolves all issues presented in the proceeding in which it is offered.

{¶ 51} 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 & Elec. Co.*, Case No. 91-410-EL-AIR, Order on Remand (Apr. 14, 1994); *In re Western Reserve Telephone 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 Elec. Illum. Co.*, Case No. 88-170-EL-AIR, Opinion and Order (Jan. 31, 1989); *In re Restatement of Accounts and Records*, 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:

(1) Is the settlement a product of serious bargaining among capable, knowledgeable parties?

(2) Does the settlement, as a package, benefit ratepayers and the public interest?

(3) Does the settlement package violate any important regulatory principle or practice?

The Supreme Court of Ohio has endorsed the Commission's use of these criteria to resolve cases 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* at 126.

{¶ 52} The Commission finds that the record contains evidence demonstrating that the Stipulation satisfies all three criteria. First, at the September 12, 2019 hearing, Mr. Sarver testified that Staff and the Companies are capable and knowledgeable parties with considerable experience in negotiating the matters at issue in these proceedings (Tr. at 11-12). Mr. Sarver also testified that the Stipulation benefits ratepayers and the public interest in that it represents a verification of the Companies' account balances and cost recovery to match revenue with expenses and "ensure [that] customers are paying for only what they need to pay for" (Tr. at 12). Finally, Mr. Sarver testified that, in his experienced opinion, the terms of the Stipulation are consistent with regulatory principles and practices (Tr. at 12-13).

{¶ 53} Accordingly, we conclude that the Stipulation represents a reasonable resolution to the issues presented in these combined cases and, thus, should be adopted in its entirety.

VI. FINDINGS OF FACT AND CONCLUSIONS OF LAW

{¶ 54} Eastern and Pike are natural gas companies and public utilities as defined in R.C. 4905.03 and 4905.02, respectively. As such, the Companies are subject to the Commission's jurisdiction.

{¶ 55} Pursuant to R.C. 4905.302, Ohio Adm.Code 4901:1-14-07, and Ohio Adm.Code 4901:1-14-08, on January 30, 2019, the Commission initiated Case Nos. 19-207-GA-GCR and 19-214-GA-GCR to review the Companies' GCR rates.

{¶ 56} By the same January 30, 2019 Entry, the Commission also initiated audits of the Companies' UEX and PIPP riders.

{¶ 57} On June 14, 2019, Staff filed its GCR, UEX, and PIPP audit reports.

{¶ 58} By Entry dated August 13, 2019, the attorney examiner continued the hearing to September 12, 2019.

{¶ 59} On September 10, 2019, the Companies and Staff filed a Stipulation resolving all audits ordered and performed in these proceedings.

{¶ 60} The hearing proceeded as rescheduled on September 12, 2019. At the hearing, various proofs of publication and copies of the Companies' related notices of hearing, the various audit reports, and the Stipulation were admitted to the record. No public witnesses testified.

{¶ 61} The Stipulation meets the criteria used by the Commission to evaluate such agreements, represents a just and reasonable resolution of all issues in these proceedings, and should be adopted.

{¶ 62} With the exceptions noted in the GCR audit report, the Companies' GCR rates for the audit period were determined to be in compliance with financial and procedural aspects of Ohio Adm.Code Chapter 4901:1-14. Thus, subject to the same noted exceptions, the gas costs passed through the Companies' GCR rates for the audit period were fair, just, and reasonable.

{¶ 63} Eastern and Pike accurately calculated their UEX rider rates during the UEX audit periods, except as noted in the audit reports and this Opinion and Order.

{¶ 64} The Companies accurately calculated their PIPP rider rates during the PIPP audit period, except to the extent noted in the audit report and this Opinion and Order.

VII. ORDER

{¶ 65} It is, therefore,

{¶ 66} ORDERED, That the Stipulation of the parties be approved and adopted. It is, further,

{¶ 67} ORDERED, That the Companies take all steps necessary to carry out the terms of the Stipulation and this Opinion and Order. It is, further,

{¶ 68} ORDERED, That a copy of this Opinion and Order be served upon all parties of record.

COMMISSIONERS:
Approving:
Sam Randazzo, Chairman
M. Beth Trombold
Lawrence K. Friedeman
Daniel R. Conway
Dennis P. Deters

PAS/hac