

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

Northeast Natural Gas Corporation
Case Number 20-309-GA-UEx

Audit of the Uncollectible Expense Mechanisms
for the Periods January 2018 through December 2019

December 18, 2020

Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff of the PUCO (Staff) has completed the required audit of Northeast Natural Gas Corporation's (Northeast or Company) Uncollectible Expense Rider (UEX Rider) rates for January 1, 2018 through December 31, 2019. The Staff audited the material as set forth in the Commission Entry in Case No. 20-309-GA-UEX.

Our audit has 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, Northeast 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.



David Lipthrott
Chief, Accounting and Finance Division
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

Northeast Ohio Natural Gas Corporation Uncollectible Expense Rider

Commission Entry

On January 29, 2020, the Commission initiated the financial audit of Northeast's UEX Rider rates for Northeast and Orwell in effect for the calendar years 2018 and 2019 (audit period). Staff has conducted its audit of Northeast's UEX Rider and presents its findings and recommendations in this report.

Background

In Case No. 04-964-GA-AIR, Northeast filed an Application to Increase Rates with the Commission seeking, among other matters, approval to establish and implement a UEX Rider. On November 20, 2004, the Commission issued an Opinion and Order authorizing Northeast to establish and implement an initial UEX Rider rate of \$0.0100 per Mcf. Since that time the Company has filed updates to adjust the rider rate and the Commission has authorized such subsequent revisions.

In Case No. 07-163-GA-AIR, Orwell filed an Application to Increase Rates with the Commission seeking, among other matters, approval to establish and implement a UEX Rider. On June 27, 2007, the Commission issued an Opinion and Order authorizing Orwell to establish and implement an initial UEX Rider rate of \$0.0100 per Mcf. Since that time the Company has filed updates to adjust the rider rate and the Commission has authorized such subsequent revisions.

On September 28, 2018 in Case No. 18-1485-GA-ATA, a joint application of Brainard Gas Corp.; Orwell Natural Gas Company; Spelman Pipeline Holdings, LLC; and NEO sought to merge the Companies with NEO as the sole, surviving entity. On January 3, 2019, the Commission approved that application.

Staff Review

Staff began the audit by issuing data requests to the Company requesting their monthly bad debt write-offs, collections, expenses, and sales volumes reports. Staff utilized the billing histories of customers, provided by the Company, to mathematically re-calculate the bad debt write-offs and collections as reported in their 2018 and 2019 Annual Balance Reconciliation. Staff found that the last three months of NEO's collections had been updated from when the Staff sent its original data request. No other exceptions were found.

Staff randomly selected accounts written-off and payments collected to verify their accuracy. Staff also calculated the rider revenue for the audit period, by multiplying the Company's approved UEX Rider rate by the Staff verified sales volumes. Staff also updated and re-calculated the Company's carrying charges. Staff found no exceptions.

Staff reviewed the Company's collection policies and found no exceptions.

Staff verified that no Percentage of Income Payment (PIPP) customers were placed into Northeast's UEX Rider during the audit period.

Conclusions

In its examination, Staff found that Northeast's write-offs, rider revenues and carrying costs were accurate. Staff also confirmed that no PIPP customer accounts were included in the UEX Rider account for recovery.

Recommendations

Staff has no recommendations.

Northeast Ohio Natural Gas Corp.
Bad Debt Rider
Annual Balance Reconciliation
2018

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>June</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
1 Balance - Beginning of Month	\$ 22,237.07	\$ 10,361.36	\$ (773.57)	\$ (9,808.11)	\$ (11,936.94)	\$ (10,139.74)	\$ (5,879.50)	\$ (289.83)	\$ 13,622.08	\$ 25,585.07	\$ 18,096.44	\$ 11,373.43
2 Bad Debts Written Off	\$ 456.69		\$ (589.73)	\$ 6,341.34	\$ 6,856.73	\$ 6,276.74	\$ 6,344.66	\$ 15,577.69	\$ 14,103.24	\$ (5,389.55)	\$ (1,477.42)	\$ (1,198.02)
3 Recovery - Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4 Recovery - Bad Debt Rider	\$ (12,386.64)	\$ (11,150.88)	\$ (8,427.21)	\$ (8,433.99)	\$ (5,022.80)	\$ (1,989.86)	\$ (744.72)	\$ (1,687.97)	\$ (2,205.47)	\$ (2,171.75)	\$ (5,294.62)	\$ (8,890.46)
5 Recovery - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Incremental Bad Debt (2) - [(3) + (4) + (5)]	\$ (11,929.95)	\$ (11,150.88)	\$ (9,016.94)	\$ (2,092.65)	\$ 1,833.93	\$ 4,286.88	\$ 5,599.94	\$ 13,889.72	\$ 11,897.77	\$ (7,561.30)	\$ (6,772.04)	\$ (10,088.48)
7 Balance Subtotal (1) + (6)	\$ 10,307.12	\$ (789.52)	\$ (9,790.51)	\$ (11,900.76)	\$ (10,103.01)	\$ (5,852.85)	\$ (279.56)	\$ 13,599.90	\$ 25,519.84	\$ 18,023.77	\$ 11,324.40	\$ 1,284.95
8 Carrying Charges [(1) + (7)]/2] * (c)	\$ 54.23	\$ 15.95	\$ (17.61)	\$ (36.18)	\$ (36.73)	\$ (26.65)	\$ (10.26)	\$ 22.18	\$ 65.23	\$ 72.67	\$ 49.03	\$ 21.10
9 Balance - End of Month	\$ 10,361.36	\$ (773.57)	\$ (9,808.11)	\$ (11,936.94)	\$ (10,139.74)	\$ (5,879.50)	\$ (289.83)	\$ 13,622.08	\$ 25,585.07	\$ 18,096.44	\$ 11,373.43	\$ 1,306.05

Bad Debt Rider
Annual Balance Reconciliation
2019

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>June</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
1 Balance - Beginning of Month	\$ 1,306.05	\$ (7,915.01)	\$ (17,793.86)	\$ (25,390.80)	\$ (26,069.82)	\$ (22,435.30)	\$ (18,873.75)	\$ (9,062.81)	\$ 15,409.87	\$ 27,071.05	\$ 26,694.45	\$ 17,186.63
2 Bad Debts Written Off	\$ 685.57	\$ 2,872.85	\$ 2,171.76	\$ 6,825.38	\$ 7,695.39	\$ 5,919.32	\$ 11,692.10	\$ 26,142.05	\$ 13,416.70	\$ 1,616.88	\$ (4,850.81)	\$ 1,614.52
3 Recovery - Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4 Recovery - Bad Debt Rider	\$ (9,895.63)	\$ (12,708.93)	\$ (9,696.85)	\$ (7,418.78)	\$ (3,980.18)	\$ (2,289.04)	\$ (1,834.68)	\$ (1,679.93)	\$ (1,826.19)	\$ (2,082.93)	\$ (4,730.02)	\$ (8,826.14)
5 Recovery - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Incremental Bad Debt (2) - [(3) + (4) + (5)]	\$ (9,210.06)	\$ (9,836.08)	\$ (7,525.09)	\$ (593.40)	\$ 3,715.21	\$ 3,630.28	\$ 9,857.42	\$ 24,462.12	\$ 11,590.51	\$ (466.05)	\$ (9,580.83)	\$ (7,211.62)
7 Balance Subtotal (1) + (6)	\$ (7,904.01)	\$ (17,751.09)	\$ (25,318.95)	\$ (25,984.20)	\$ (22,354.61)	\$ (18,805.02)	\$ (9,016.33)	\$ 15,399.31	\$ 27,000.38	\$ 26,605.00	\$ 17,113.62	\$ 9,975.00
8 Carrying Charges [(1) + (7)]/2] * (c)	\$ (11.00)	\$ (42.77)	\$ (71.85)	\$ (85.62)	\$ (80.70)	\$ (68.73)	\$ (46.48)	\$ 10.56	\$ 70.68	\$ 89.45	\$ 73.01	\$ 45.26
9 Balance - End of Month	\$ (7,915.01)	\$ (17,793.86)	\$ (25,390.80)	\$ (26,069.82)	\$ (22,435.30)	\$ (18,873.75)	\$ (9,062.81)	\$ 15,409.87	\$ 27,071.05	\$ 26,694.45	\$ 17,186.63	\$ 10,020.27

**Orwell Natural Gas
Bad Debt Rider
Annual Balance Reconciliation
2018**

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>June</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
1 Balance - Beginning of Month	\$ 46,255.25	\$ 21,350.84	\$ (9,384.49)	\$ (32,704.41)	\$ (43,825.11)	\$ (50,157.18)	\$ (48,299.65)	\$ (45,272.25)	\$ (34,584.16)	\$ (27,285.72)	\$ (30,232.04)	\$ (46,770.14)
2 Bad Debts Written Off	8,461.89	2,317.64	(202.36)	11,274.80	5,739.26	5,064.62	7,199.32	13,832.00	10,614.45	830.42	(2,238.49)	773.93
3 Recovery - Base Rates	-	-	-	-	-	-	-	-	-	-	-	-
4 Recovery - Bad Debt Rider	(33,478.78)	(33,072.87)	(23,047.54)	(22,268.18)	(11,914.96)	(3,043.29)	(4,016.24)	(3,011.06)	(3,213.07)	(3,681.05)	(14,171.50)	(25,565.96)
5 Recovery - Other	-	-	-	-	-	-	-	-	-	-	-	-
6 Incremental Bad Debt	(25,016.89)	(30,755.23)	(23,249.90)	(10,993.38)	(6,175.70)	2,021.33	3,183.08	10,820.94	7,401.38	(2,850.63)	(16,409.99)	(24,792.03)
7 Balance Subtotal	21,238.36	(9,404.40)	(32,634.39)	(43,697.79)	(50,000.81)	(48,135.84)	(45,116.57)	(34,451.31)	(27,182.78)	(30,136.34)	(46,642.03)	(71,562.17)
8 Carrying Charges	112.48	19.91	(70.02)	(127.32)	(156.36)	(163.81)	(155.68)	(132.86)	(102.93)	(95.69)	(128.11)	(197.20)
9 Balance - End of Month	\$ 21,350.84	\$ (9,384.49)	\$ (32,704.41)	\$ (43,825.11)	\$ (50,157.18)	\$ (48,299.65)	\$ (45,272.25)	\$ (34,584.16)	\$ (27,285.72)	\$ (30,232.04)	\$ (46,770.14)	\$ (71,759.37)

**Orwell Natural Gas
Bad Debt Rider
Annual Balance Reconciliation
2019**

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>June</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
1 Balance - Beginning of Month	\$ (71,759.37)	\$ (99,255.87)	\$ (132,954.64)	\$ (160,781.69)	\$ (177,863.85)	\$ (178,913.26)	\$ (179,730.87)	\$ (176,732.98)	\$ (167,990.73)	\$ (162,265.67)	\$ (166,113.58)	\$ (181,726.27)
2 Bad Debts Written Off	1,718.72	1,917.32	1,873.40	3,379.03	10,308.02	5,306.30	7,011.33	12,481.70	9,868.79	688.69	(1,199.73)	780.31
3 Recovery - Base Rates	-	-	-	-	-	-	-	-	-	-	-	-
4 Recovery - Bad Debt Rider	(28,930.69)	(35,229.76)	(29,211.75)	(19,897.78)	(10,763.85)	(5,527.23)	(3,420.38)	(3,165.92)	(3,594.28)	(3,990.26)	(13,834.24)	(25,660.84)
5 Recovery - Other	-	-	-	-	-	-	-	-	-	-	-	-
6 Incremental Bad Debt	(27,211.97)	(33,312.44)	(27,338.35)	(16,518.75)	(455.83)	(220.93)	3,590.95	9,315.78	6,274.52	(3,301.57)	(15,033.97)	(24,880.53)
7 Balance Subtotal	(98,971.34)	(132,568.31)	(160,292.99)	(177,300.44)	(178,319.68)	(179,134.19)	(176,139.92)	(167,417.21)	(161,716.22)	(165,567.25)	(181,147.56)	(206,606.79)
8 Carrying Charges	(284.52)	(386.33)	(488.70)	(563.41)	(593.58)	(596.69)	(593.06)	(573.53)	(549.46)	(546.33)	(578.71)	(647.16)
9 Balance - End of Month	\$ (99,255.87)	\$ (132,954.64)	\$ (160,781.69)	\$ (177,863.85)	\$ (178,913.26)	\$ (179,730.87)	\$ (176,732.98)	\$ (167,990.73)	\$ (162,265.67)	\$ (166,113.58)	\$ (181,726.27)	\$ (207,253.95)

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