THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE REGULATION OF THE PURCHASED GAS ADJUSTMENT CLAUSES CONTAINED WITHIN THE RATE SCHEDULES OF NORTHEAST OHIO NATURAL GAS CORPORATION AND RELATED MATTERS.	CASE NO. 20-209-GA-GCR
IN THE MATTER OF THE UNCOLLECTIBLE EXPENSE RIDER OF NORTHEAST OHIO NATURAL GAS CORPORATION AND RELATED MATTERS.	CASE NO. 20-309-GA-UEX
IN THE MATTER OF THE PERCENTAGE OF INCOME PAYMENT PLAN RIDER OF NORTHEAST OHIO NATURAL GAS CORPORATION AND RELATED MATTERS.	CASE NO. 20-409-GA-PIP

OPINION AND ORDER

Entered in the Journal on May 19, 2021

I. SUMMARY

{¶ 1} The Commission adopts the Stipulation and Recommendation filed February 4, 2021, resolving all issues relating to the gas cost recovery, uncollectible expense, and percentage of income payment plan rider audits of Northeast Ohio Natural Gas Corporation.

II. PROCEDURAL BACKGROUND

{¶ 2} Northeast Ohio Natural Gas Corporation (Northeast or the Company) is a natural gas company and public utility as defined in R.C. 4905.03 and 4905.02, respectively. As such, the Company is subject to the jurisdiction of this Commission.

{¶ 3} As a natural gas company subject to the Commission's jurisdiction, Northeast implements a purchased gas adjustment mechanism pursuant to R.C. 4905.302. This mechanism allows a natural gas company to adjust the rates that it charges to its customers in accordance with any fluctuation in the cost to the company of obtaining the gas that it sells to its customers. R.C. 4905.302(A)(1). To facilitate the implementation and audit of the purchased gas adjustment mechanism, the rules in Ohio Adm.Code Chapter 4901:1-14 direct that the jurisdictional cost of gas be separated from all other costs incurred by a natural gas company and provide for each company's recovery of the gas costs.

{¶ 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. And, 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 29, 2020, the Commission initiated these proceedings to audit Northeast's compliance with the GCR mechanism, as well as the Company's uncollectible expense (UEX) and percentage of income payment plan (PIPP) riders. The Entry established July 1, 2018, through June 30, 2020, as the audit period for the GCR mechanism and January 1, 2018, through December 31, 2019, for the UEX and PIPP rider audits. The Entry further directed the Company to publish required legal notices, established due dates for various filings, and set a hearing date of January 21, 2021, in conformity with Ohio Adm.Code 4901:1-14-08.

{¶ 6} On March 9, 2020, the governor signed Executive Order 2020-01D (Executive Order), declaring a state of emergency in Ohio to protect the well-being of Ohioans from the dangerous effects of COVID-19. As described in the Executive Order, state agencies are required to implement procedures consistent with recommendations from the Ohio Department of Health to prevent or alleviate the public health threat associated with

COVID-19. Additionally, all citizens are urged to heed the advice of the Department of Health regarding this public health emergency in order to protect their health and safety. The Executive Order was effective immediately and will remain in effect until the COVID-19 emergency no longer exists. The Ohio Department of Health is making COVID-19 information, including information on preventative measures, available via the internet at coronavirus.ohio.gov/.

{¶ 7} By Entry dated November 3, 2020, the attorney examiner granted an unopposed motion by Staff for an extension of time in which to file the ordered audit reports and for expedited consideration of its request. The attorney examiner directed Staff to file the audit reports no later than December 21, 2020, scheduled a prehearing conference for January 27, 2021, and directed that the evidentiary hearing be continued to a date established by future entry.

{¶ 8} On December 18, 2020, Staff filed the GCR, UEX, and PIPP audit reports for the Company, each in its respective docket. The prehearing conference was held as scheduled on January 27, 2021.

{¶ 9} By Entry dated February 3, 2021, the attorney examiner scheduled the hearing in these matters to commence by remote-access technology on March 9, 2021, at 10:00 a.m. The Entry provided information that allowed interested individuals to join the hearing to provide public testimony or to submit public comments. The attorney examiner also directed Northeast to publish notice of the hearing consistent with Ohio Adm.Code 4901:1-14-08(C). Northeast filed the required proofs of publication on February 23, 2021.

{¶ 10} Meanwhile, on February 4, 2021, Northeast and Staff filed a Stipulation and Recommendation (Stipulation) encompassing all three of the audits ordered and performed in these combined cases.

{¶ 11} On March 9, 2021, the attorney examiner conducted the evidentiary hearing via Webex. No members of the public attended the hearing (Tr. at 7). As evidence for the

Commission's consideration, Northeast offered the Stipulation (Joint Ex. 1); Staff offered the Company's GCR audit report (Staff Ex. 1), the UEX audit report (Staff Ex. 2), and the PIPP audit report (Staff Ex. 3). All exhibits were admitted to the record (Tr. at 9, 15). Staff also presented the testimony of Mr. Tornain Matthews, who recommended that the Commission adopt the Stipulation (Tr. at 14).

III. DISCUSSION

A. Summary of GCR Audit Report

1. BACKGROUND

{¶ 12} Headquartered in Lancaster, Ohio, Northeast has over 1,420 miles of natural gas distribution facilities located in 30 Ohio counties. As of June 2020, Northeast served approximately 29,759 residential and 1,447 commercial customers on its non-contiguous systems through interconnects with two interstate and two intrastate pipelines, one local distribution company, and local production. The Company also provides transportation service to 175 customers. (Staff Ex. 1 at 4.)

{¶ 13} On January 3, 2019, the Commission approved an application filed by Brainard Gas Corp. (Brainard), Orwell Natural Gas Company (Orwell), Spelman Pipeline Holdings, LLC (Spelman), and Northeast for approval to merge Brainard, Orwell, and Spelman into Northeast as the surviving company. *In re Joint Application*, Case No. 18-1484-GA-UNC, et al., Finding and Order (Jan. 3, 2019). (Staff Ex. 1 at 4.)

{¶ 14} In order to determine the reasonableness of consolidating the GCR rates, Staff calculated a combined GCR rate using the pre-merger rates from Northeast's, Brainard's, and Orwell's October 2018 filings. Staff's calculation combined the Expected Gas Costs (EGC) of the three companies to determine a combined rate. Upon comparison to each company individually, Staff discovered that the combined EGC was lower than the EGC of Brainard and Orwell and slightly higher than Northeast's before the merger; Staff found the combined EGC to be reasonable. Staff then combined the pre-merger Actual Adjustments (AA), Balance Adjustments (BA), and Reconciliation Adjustment of the GCR rates of

Northeast, Brainard, and Orwell to develop a combined GCR rate. With this calculation, Staff determined that the combined GCR rate would result in an overall lower GCR rate. On December 4, 2018, prior to approval of the merger, Northeast filed its final separate GCR report for the quarter ending August 2018. *Northeast Ohio Natural Gas Corp.*, Case No 18-209-GA-GCR, Report (Dec. 4, 2018). And, on January 14, 2019, Orwell and Brainard filed their final separate GCR reports, respectively, for the quarter ending September 2018. *Orwell Natural Gas Company*, 19-212-GA-GCR, Report (Feb. 11, 2019); *Brainard Gas Corp.*, 19-206-GA-GCR, Report (Feb. 11, 2019). (Staff Ex. 1 at 4.)

{¶ 15} On March 29, 2019, Northeast filed a combined GCR that included the most recent BA adjustments for all three companies in a combined BA. *Northeast Ohio Natural Gas Corp.*, Case No. 19-209-GA-GCR, Report (Mar. 29, 2019). On April 1, 2019, Northeast filed a revised report that was comprised of a combined BA rate that would complete the refund and reconciliation adjustments (RA) ordered by the Commission in Case Nos. 18-206-GA-GCR, 18-209-GA-GCR, and 18-212-GA-GCR. (Staff Ex. 1 at 4.)

2. Expected Gas Cost

{¶ 16} The EGC is a mechanism that 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 period. 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. (Staff Ex. 1 at 5.)

{¶ 17} Northeast receives its gas supplies through direct connections to interstate pipelines, including Columbia Gas Transmission Corporation (TCO) and Tennessee Gas Pipeline. The Company also receives gas from Dominion Energy Ohio, Cobra Pipeline Co., LTD (Cobra), Orwell-Trumbull Pipeline Company (OTP)[1], and approximately 30 local

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1 On December 4, 2019, the Commission approved, subject to Staff's clarifications, a joint application filed by Northeast and OTP, whereby OTP's assets were transferred to Northeast. *In re Joint Application of*

producers. Staff verified that Northeast purchased 8,686,646 thousand cubic feet (Mcf) during the audit period. Staff found differences between this amount and those filed by Northeast for each month of the audit period, which amounted to a decrease in purchased volumes of (43,713)[2] Mcf over the entire audit period. Staff verified sales volumes of 7,947,527 Mcf compared to the Company's filed sales volumes of 7,947,419 Mcf; the difference is attributed to the month of June 2020. Staff additionally reviewed the Company's meter reading and bill register summaries for the two-year audit period to ensure that sales volumes were properly calculated and totaled each month for inclusion in the Company's GCR calculation. In all, Staff had no recommendations regarding Northeast's EGC. (Staff Ex. 1 at 5.)

3. Actual Adjustment

{¶ 18} The 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. (Staff Ex. 1 at 6.)

{¶ 19} Staff reviewed the Company's monthly purchased gas costs and volumes starting with the monthly summary sheets provided during the audit period. Staff reports that it created a calculation to resemble the Company's monthly summary sheets and then

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Northeast Ohio Natural Gas Corp. and Orwell-Trumbull Pipeline Company, LLC for Approval of an Asset Transfer and Related Authority, Case No. 19-1921-PL-ATR, Finding and Order (Dec. 4, 2019).

2 Numbers in parentheses indicate negative amounts.

input the invoiced costs. Staff calculated the purchased gas costs using invoices from pipelines, suppliers, and local producers and accounted for the imbalance volumes/differences on Cobra, Spelman, and TCO pipelines for the purpose of calculating monthly storage costs. Following the Company's methodology, Staff adjusted the purchased volumes and costs based on whether gas was being injected or withdrawn from storage: where gas was injected, costs were removed from purchased gas costs, and where withdrawn, costs were added. (Staff Ex. 1 at 6.)

{¶ 20} Staff indicates that it found differences over the course of the audit resulting from prior period adjustments, purchased volumes, and costs. Staff additionally identified Company adjustments that were the result of a billing error that was discovered by the Company before the merger but after Staff filed a Staff Report in the last audit. This billing error occurred when an upstream transporter billed a transportation customer as if it were a sales customer, which ultimately caused Northeast's unaccounted-for gas (UFG) levels to be greater than the five percent allowed by the GCR rules. To resolve this error, Northeast and the transporter agreed that the latter would flow back to Northeast 328,995 Mcf of gas, which is a volume that represents the billing adjustments made by the transporter through June 2018; flow these volumes back to the Company starting in May 2019 and continuing through April or May 2020; and record $2.653 for each Mcf, up to 328,995 Mcf, and credit those volumes to Northeast's account. This treatment of costs recognizes that the gas purchased by Northeast before the merger in the 2018 audit period will be received and paid for by customers in the 2020 audit period according to the stipulation and recommendation approved and adopted in Case No. 18-209-GA-GCR. (Staff Ex. 1 at 6.)

{¶ 21} During this audit, Staff verified that the volumes were completely flowed back to Northeast by May 2020 and accounted for the associated costs in its calculation of the GCR. Ultimately, Staff states that the errors are not self-correcting through the GCR mechanism, and Staff recommends that the Commission order a reconciliation adjustment of ($60,943) for an over-collection to be applied to the Company's GCR rates in the first GCR filing following the Opinion and Order in the GCR audit case. (Staff Ex. 1 at 6-7.)

4. Refund and Reconciliation Adjustment

{¶ 22} The RA is used to pass through the jurisdictional portion of refunds received from gas suppliers and adjustments ordered by the Commission. Annual interest of ten percent is applied to the net jurisdictional amount of the RA, which is then divided by 12 months of historic sales volumes to develop a unit rate to be included in the GCR calculation for four quarters. (Staff Ex. 1 at 13.)

{¶ 23} As mentioned in the Background section, Northeast combined the adjustments that were ordered by the Commission in the Company's last GCR audit and filed the combined adjustment as a component of the GCR rate that was billed to customers starting in the revised GCR report filed April 1, 2019. During the current audit for 2020, Staff verified that those adjustments were billed to customers and that the combined adjustment representing Northeast, Brainard, and Orwell before the merger were completed over the course of the audit period. Staff also verified that there were no supplier refunds during the audit period. Following its review of the Company's RA calculations, Staff has no recommendations. (Staff Ex. 1 at 13.)

5. Balance Adjustment

{¶ 24} The BA mechanism corrects for under- or over-recoveries of previously calculated AAs and RAs. Staff explains that the BA is calculated by subtracting the product of the respective AA and RA rate and the sales to which those rates were applied from the dollar amounts of the respective AA and RA previously included in the GCR and used to generate those adjustment rates. And, since those adjustment rates were derived by dividing the dollar amounts by historic sales, the BA calculation depicts the differences in revenues generated for each of these adjustment mechanisms using actual versus historical sales. The sum of the differences for the AA and RA calculations is the total BA for the quarter, which is then combined with the quarterly AA adjustment and divided by 12 months of historical sales to obtain a new AA rate to be included in the GCR. Errors detected in the BA are generally the result of incorrectly reported sales volumes, but also may be due to selecting an incorrect rate from previous AA and RA calculations. (Staff Ex. 1 at 14.)

{¶ 25} Staff states that an error in how the Company filed the combined BA in the first combined GCR filing filed on April 1, 2019, in Case No. 19-209-GA-GCR, was discovered during the audit. In that first combined filing, the Company calculated a combined BA based on the AA and BA adjustments ordered by the Commission for Northeast, Orwell, and Brainard, but those AA and BA adjustments were only intended to be used to calculate the combined BA and not be filed as part of the combined filing. However, when Northeast inadvertently filed the combined GCR, the Company included the BA that it calculated as well as the AA and BA from each company that was used to calculate the combined BA adjustment. This error caused a difference between Staff's calculation and that filed by Northeast. In concluding this section, Staff explains that the differences between Staff's and the Company's calculations of the BA are not self-correcting through the GCR mechanism; thus, Staff recommends reconciliation adjustments of $461,643 for an under-collection be applied to Northeast's GCR rate in the first GCR filing to follow the Opinion and Order in the GCR audit case. (Staff Ex. 1 at 14.)

6. UNACCOUNTED-FOR GAS

{¶ 26} UFG is the difference between purchased volumes and sales volumes. 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. According to Staff, Northeast's UFG levels are within the five-percent range permitted by the GCR rules. Accordingly, Staff has no recommendations for this area. (Staff Ex. 1 at 17.)

7. CUSTOMER BILLING

{¶ 27} Staff notes that an important component in the GCR process is the proper application of GCR rates to customer bills. To audit this aspect, Staff randomly selected invoices from each month of the period to verify GCR and base rates, along with the customer charges applied to each account. Staff reports that it did not identify any errors in customer billing. Accordingly, Staff has no recommendations regarding customer billing. (Staff Ex. 1 at 18.)

B. Summary of UEX Audit Report

{¶ 28} On January 29, 2020, the Commission initiated the financial audit of Northeast's UEX rider for the calendar years 2018 and 2019. Staff began its audit by issuing data requests to the Company requesting its monthly bad debt write-offs, collections, expenses, and sales volumes reports. Staff then utilized the billing histories of customers, as provided by the Company, to mathematically re-calculate the bad debt write-offs and collections as reported in the 2018 and 2019 Annual Balance Reconciliation. Staff found that the last three months of Northeast's collections had been updated from when Staff sent its original data request, but no other exceptions were found. Additionally, Staff found that the Company's write-offs, rider revenues, and carrying costs were accurate and confirmed that no PIPP customer accounts were included in the UEX rider accounts for recovery. Staff has no recommendations as a result of the UEX audit. (Staff Ex. 2.)

C. Summary of PIPP Audit Report

{¶ 29} In the same January 29, 2020 Entry that initiated the GCR and UEX audits discussed above, the Commission also initiated the financial audit of Northeast's PIPP rider in effect for 2018 and 2019 (Staff Ex. 3).

{¶ 30} Staff conducted its audit using documents assembled and provided by Northeast in response to an August 7, 2020 data request seeking documentation of write-offs, collections through the rider, and account balances. From this information, Staff relied upon Northeast's Gas PIPP Reports from January 2018 through December 2019. These reports contained monthly queries mirroring the information found in a customer's billing history. From these reports, Staff reviewed PIPP invoices, other invoices, PIPP payments (whether from customers or Home Energy Assistance Program credits), other customer credits (adjusting entries, credit memos, and write-offs), and account balances. Staff randomly selected and compared customers' billing histories and the PIPP Reports. Staff discovered a few instances where differences existed between the two. (Staff Ex. 3.)

{¶ 31} Staff compared the PIPP Reports to the information contained in Schedules 27 and 28 of the Company's Annual Reports for 2018 and 2019 (Annual Reports). Schedule 27 – PIPP Customer Accounts Receivable contains monthly summarized data for the accounts receivable balances of PIPP customers (Account 142), including PIPP invoices, other invoices, PIPP payments, and other customer credits. Schedule 28 – PIPP Customer Deferred Accounts Receivable (Account 186.XX/182.3) contains monthly summarized data for write-offs, arrearage credits, and recoveries through the PIPP Rider. (Staff Ex. 3.)

{¶ 32} In order to ensure the transfers to the deferred PIPP balance included only actual write-offs and arrearage credits, Staff reviewed the write-off summary provided by the Company and requested the general ledger support to corroborate a selection of write-offs. During this review, Staff found seven instances where a credit memo was applied to customers' accounts rather than a write-off. Given that credit memos are not includable in the deferred PIPP balance, Staff recommends an adjustment of $1,539. (Staff Ex. 3.)

{¶ 33} Staff additionally discovered two instances where write-offs were not properly accounted for in the Company's deferred PIPP balance. The first resulted in the duplication of an amount written off and an overstatement of $1,521 to the deferred PIPP balance; thus, Staff recommends a corresponding adjustment to that balance to remove the duplicated amount. The second instance related to a customer write-off that was not included in the deferred PIPP balance, resulting in that balance being understated by $448.

{¶ 34} In the prior PIPP audit, the Commission ordered an adjustment of $656 associated with improperly applied late fees and security deposits. *In re Northeast Ohio Natural Gas Corp.*, Case No. 18-409-GA-PIP, Opinion and Order (Sep. 26, 2019) at ¶ 34. To ensure this adjustment was properly accounted for, Staff requested general ledger support, which ultimately substantiated only $356 of the adjustment being recognized. Staff recommends that the Company recognize an adjustment of $300 to the deferred PIPP balance for the amount of the unrecognized prior adjustment. (Staff Ex. 3.)

{¶ 35} Staff states that it included in the Annual Reports the adjustments described above to ensure that they were correctly reflected in the ending balances of PIPP Customer Accounts Receivable and PIPP Customer Deferred Accounts Receivable (Staff Ex. 3).

{¶ 36} In addition to the above, Staff reviewed Northeast's arrearage forgiveness program by reviewing customer billing data from 2018 and 2019, specifically data from PIPP customers whose balances could have been credited for timely and in-full payments, to determine if the calculated arrearage credits were properly applied to account balances. Staff found no exceptions to the total arrearage credits; however, Staff notes that arrearage credits for 2018 did not occur until January 2019. (Staff Ex. 3.)

{¶ 37} In conclusion, Staff recommends an adjustment of $2,612, which is comprised of the duplicated written-off amount of $1,521, the credit memos of $1,539 incorrectly accounted for as write-offs, and the unaccounted-for write-off of $448. Additionally, Staff recommends an adjustment of $300 related to the prior audit adjustment that was not sufficiently confirmed to have occurred. Based on these adjustments, Staff recommends that the December 31, 2019 ending balance in Account 186-PIPP Customer Deferred Accounts Receivable be credited by $2,912 to recognize the net effect of Staff's adjustments described above. Additionally, Staff recommends Account 142-PIPP Customer Accounts Receivable be credited by $448. Staff states that this adjustment is necessary as the write-off debits Account 186, necessitating a corresponding credit to Account 142. Finally, due to the noted timing-related discrepancies, Staff recommends that the Company ensure timely processing of arrearage credits and entry of transactions into the billing data contained in the PIPP data files. (Staff Ex. 3.)

IV. Stipulation of the Parties

{¶ 38} On February 4, 2021, Staff and the Company (Signatory Parties) filed a Stipulation that, if adopted, would resolve all of the issues in these proceedings. The following summary is not intended to supersede or replace the Stipulation executed by the parties:

GCR Financial Audit

1. The Signatory Parties agree to an AA of ($60,943) for an over-collection, which recognizes the removal of purchased gas costs associated with billing adjustments made by an upstream transporter.

2. The Signatory Parties agree to a BA of $461,643 for an under-collection.

3. The Signatory Parties agree that Northeast's UFG rates were within the five-percent range allowed by Commission rules.

4. The Signatory Parties agree that the Company's monthly GCR rates on file with the Commission were properly billed to customers. The Company agrees to ensure that the individual preparing the GCR calculations verifies the accuracy of the calculations by comparing them to source documents.

Uncollectible Expense Audit

1. Staff found that Northeast's write-offs, rider revenues, and carrying costs were accurate and confirmed that no PIPP customer accounts were included in the UEX rider account for recovery. Staff made no recommendations, and Northeast accepts Staff's findings and conclusions.

Percentage of Income Payment Plan Audit

1. Northeast agrees that all recommendations in the PIPP audit report are reasonable and should be adopted. In this, Northeast agrees that $2,912 should

> be credited to Account 186 to recognize the net effect of Staff's adjustments for a duplicated write-off, credit memos incorrectly accounted for as write-offs, and an adjustment related to the prior audit adjustment that Staff could not sufficiently confirm occurred. Additionally, the Company agrees that $448 should be credited to Account 142 to reflect an adjustment for an unaccounted-for write-off.

(Joint Ex. 1.)

V. CONCLUSION

{¶ 39} 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.

{¶ 40} 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.

{¶ 41} In his testimony, Mr. Matthews indicated that he was part of the team that conducted the Company's GCR audit, as well as the team that reviewed the Company's UEX and PIPP audits. Mr. Matthews confirmed that he has been involved in numerous GCR, UEX, and PIPP audit proceedings during his time at the Commission and was specifically involved in the negotiation of the Stipulation for these cases; Mr. Matthews testified that he believes the settlement contained in the Stipulation is the product of serious bargaining among capable and knowledgeable parties. (Tr. at 10-12, 14.) The Commission additionally notes that the Company and Staff were represented by counsel with extensive experience and knowledge of the regulatory mechanisms under review in these proceedings. Accordingly, the Commission finds that the Stipulation satisfies the first criterion used to judge the reasonableness of a stipulation.

{¶ 42} The second and third elements are also satisfied. As a package, the Stipulation benefits customers and ratepayers and complies with important regulatory principles and practices. Mr. Matthews explained that Staff conducts these types of financial audits to verify the costs the utility incurs to provide natural gas service, as well as to verify that those costs are accurately included in the rates that are billed to customers. Here, Staff did find some differences between its calculations and those of the Company, resulting in several recommendations. Mr. Matthews stated that the Stipulation highlights those recommendations, as well as adjustments that Staff found and made, and incorporated those recommendations into an agreement of the parties. (Tr. at 13.) The Commission agrees that these financial audits are an important tool in ensuring that the Company is accurately calculating, charging, and recovering rates that are just and reasonable. Additionally, the Stipulation allows the parties to implement Staff's recommendations without the need of additional litigation.

{¶ 43} Based on the above, we conclude that the Stipulation represents a reasonable resolution to the issues presented in these combined cases and should be adopted in its entirety.

VI. FINDINGS OF FACT AND CONCLUSIONS OF LAW

{¶ 44} Northeast is a natural gas company and public utility as defined in R.C. 4905.03 and 4905.02, respectively. As such, the Company is subject to the Commission's jurisdiction.

{¶ 45} Pursuant to R.C. 4905.302, Ohio Adm.Code 4901:1-14-07, and Ohio Adm.Code 4901:1-14-08, on January 29, 2020, the Commission initiated Case No. 20-209-GA-GCR to review the Company's GCR rates.

{¶ 46} By the same January 29, 2020 Entry, the Commission also initiated audits of Northeast's UEX and PIPP riders.

{¶ 47} On December 18, 2020, Staff filed the GCR, UEX, and PIPP audit reports for the Company.

{¶ 48} On February 4, 2021, Northeast and Staff filed a Stipulation encompassing all issues raised in these proceedings.

{¶ 49} On February 23, 2021, the Company filed its proof of publication of notices of the hearing.

{¶ 50} The public hearing commenced on March 9, 2021. No public witnesses testified.

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

{¶ 52} With the exceptions noted in the GCR audit report, the Company's 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, and subject to the same noted exceptions, the gas costs passed through the Company's GCR rates for the audit period were fair, just, and reasonable.

{¶ 53} Northeast accurately calculated its UEX rider rates during the applicable audit period.

{¶ 54} Northeast accurately calculated its PIPP rider rates during the audit period, except as noted in the PIPP audit report.

VII. ORDER

{¶ 55} It is, therefore,

{¶ 56} ORDERED, That the Stipulation filed by the parties is adopted and approved. It is, further,

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

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

COMMISSIONERS:
Approving:
Jenifer French, Chair
M. Beth Trombold
Lawrence K. Friedeman
Daniel R. Conway
Dennis P. Deters

PAS/hac