

FILE

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of The East  
Ohio Gas Company d/b/a Dominion East  
Ohio for Approval of an Adjustment to its  
Uncollectible Expense Rider Rate

Case No. 07-659-GA-UEX

APPLICATION

The East Ohio Gas Company d/b/a Dominion East Ohio ("DEO") hereby submits its annual Uncollectible Expense Rider report, and respectfully requests approval to adjust its Uncollectible Expense Rider (the "Rider") rates. In support of this Application, DEO states as follows:

1. In its Finding and Order dated December 17, 2003 (the "December 17 Order") in Case No. 03-1127-GA-UNC, the Commission approved, in concept, an Uncollectible Expense Rider for DEO and several other natural gas companies.

2. By Entry of March 17, 2004, in Case No. 03-2573-GA-ATA, the Commission approved DEO's initial Rider tariffs, and DEO filed final tariffs consistent with that Entry on April 2, 2004, effective as of that date.

3. In the December 17 Order, the Commission directed DEO and the other companies subject to that order to file a yearly report that identifies amounts recovered, deferred, and amortized pursuant to the Rider. The Staff, in its report filed March 9, 2004 in Case No. 03-2573-GA-ATA, recommended that the information be provided in the format of Attachment C to that report. DEO's annual report, in that format, is Attachment 1 to this Application.

4. The Commission approved subsequent adjustments to the Riders in its Entries dated May 19, 2004 in Case No. 04-570-GA-UEX, June 14, 2005 in Case No. 05-672-GA-UEX,

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and June 28, 2006 in Case No. 06-729-GA-UEX. DEO filed final tariffs consistent with those Entries and implemented the revised rates effective July 2, 2004, July 6, 2005, and July 7, 2006, respectively.

5. DEO is proposing updated Rider rates of \$0.5674 for the East Ohio Division and \$0.5672 for the West Ohio Division. The rates are comprised of: (1) the balance of deferred uncollectible accounts expense net of recoveries as of March 31, 2007; (2) an estimate of uncollectible accounts expense and recoveries for the 12 months ending March 31, 2008; and (3) amortization of the deferred accounts receivable balance authorized by the Commission in Case No. 01-2592-GA-UNC. These components are further described in paragraphs 7, 8, and 9 below. The calculation of the revised rates is shown on Attachment 2 to this Application.

6. Approximately 64% of the proposed increase in the rider rates, or \$0.18 per Mcf, is a result of the Stipulation and Recommendation approved by the Commission in Case No. 05-474-GA-ATA. (See Opinion and Order, May 26, 2006, and Entry on Rehearing, July 12, 2006.) This stipulation provides for the elimination of the 1% discount previously withheld by DEO on the purchase of receivables from Energy Choice suppliers and the use of discounts withheld for the period April 2005 through the date the discount was eliminated to fund customer education and program implementation-related costs for Phase 1 and 2 of DEO's plan to exit the merchant function. DEO's customers receive a two-fold benefit from the stipulation in (1) the customer education funding provided by the former discount and (2) the lower commodity pricing that suppliers are able to offer because they no longer have to include the cost of the discount in their prices. The latter benefit directly offsets a substantial portion of the higher rider rate for customers as they enter into new gas supply arrangements with Energy Choice suppliers. The remaining 36% of the rate increase is attributable to an increase in net bad debt expense and is

reflective of the continuing high prices for natural gas and the overall economic conditions in DEO's service territory.

7. The Rider states that "East Ohio shall file an application with the Public Utilities Commission of Ohio requesting approval to change the rate if the Company determines that an adjustment of more than plus or minus ten percent is needed to adjust for prior period over- or under-collections." The portion of the proposed Rider increase that is attributable to under-collection as of March 31, 2007 (\$0.2597, calculated by dividing the deferred uncollectible accounts expense at that date by applicable annual volumes) is in excess of 10% of the current Rider rate.

8. The portion of the proposed Rider rates attributable to estimated uncollectible expense net of customer arrearage payments for the twelve months ending March 31, 2008 is \$0.2208, calculated by dividing the net estimated dollar amount by annual volumes.

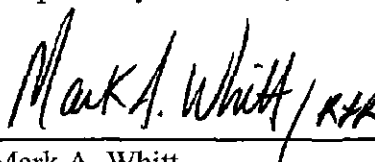
9. In Case No. 01-2592-GA-UNC, the Commission permitted DEO to defer residential customer account balances as of December 31, 2001, for the accounts eligible for the Payment Matching Program approved in that case, above the amount of uncollectible expense recovered in base rates and retained from supplier receivable discounts. In Case No. 03-1127-GA-UNC, the Commission authorized DEO to amortize the deferred accounts receivable balances authorized in Case No. 01-2592-GA-UNC over 60 months, and include such amounts in the uncollectible expenses eligible for recovery through the Rider. The portion of the proposed Rider increase attributable to the amortization of the deferred accounts receivable balances is \$0.0604, calculated by taking one year's worth of the deferred accounts receivable balance as of December 31, 2003 and dividing by annual volumes.

10. To arrive at the proposed total Rider rates, the sum of the three components described above was grossed up for gross receipts taxes at the respective rates for East Ohio and the West Ohio Division.

11. The resulting rates of \$0.5674 for the East Ohio Division and \$0.5672 for the West Ohio Division are just and reasonable and should be approved. Copies of the proposed and scored current tariff sheets are Attachment 3 to this Application.

WHEREFORE, DEO respectfully requests that the Commission approve the new Uncollectibles Expense Rider rates proposed in this Application.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark A. Whitt / RTR", is written over a horizontal line.

Mark A. Whitt  
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ATTORNEYS FOR THE EAST OHIO GAS  
COMPANY D/B/A DOMINION EAST OHIO

## **Attachment 1**

**DOMINION EAST OHIO**  
**Bad Debt Rider**  
**Annual Balance Reconciliation - 1st Quarter 2007**

**Attachment 1**  
**Page 1 of 2**

	<u>January</u>	<u>February</u>	<u>March</u>	<u>YTD Q1 Total 2007</u>
(1) Balance - Beginning of Month	<u>\$ 61,098,878.76</u>	<u>\$ 55,974,509.40</u>	<u>\$ 47,840,135.45</u>	<u>\$ 61,098,878.76</u>
(2) Bad Debts Written Off	3,729,980.30	2,808,817.67	3,176,254.38	9,715,052.35
(3) Amortization of A/R Regulatory Asset	844,929.74	844,929.74	844,929.74	2,534,789.22
(4) Recovery - Base Rates	-	-	-	-
(5) Recovery - Bad Debt Rider	7,502,270.80	9,824,990.26	6,772,690.30	24,099,951.36
(6) Recovery - Other	<u>2,367,545.14</u>	<u>2,114,291.51</u>	<u>1,621,536.42</u>	<u>6,103,373.07</u>
(7) Incremental Bad Debt (2)+(3)-[(3)+(4)+(5)]	<u>(5,294,905.90)</u>	<u>(8,285,534.36)</u>	<u>(4,373,042.60)</u>	<u>(17,953,482.86)</u>
(8) Balance Subtotal (1) + (7)	55,803,972.86	47,688,975.04	43,467,092.85	43,145,395.90
(9) Carrying Charges $[(1)+(8)]/2 \times (d)$ (1)	<u>170,536.54</u>	<u>151,160.41</u>	<u>133,258.40</u>	<u>454,955.35</u>
(10) Cumulative Balance for Recovery	<u><u>\$ 55,974,509.40</u></u>	<u><u>\$ 47,840,135.45</u></u>	<u><u>\$ 43,600,351.25</u></u>	<u><u>\$ 43,600,351.25</u></u>
(d) Monthly Carrying Charge Rate	0.29176%	0.29164%	0.29189%	
Annualized short-term debt rate	5.38630%	5.38406%	5.38874%	

DOMINION EAST OHIO  
Bad Debt Rider  
Annual Balance Reconciliation - 2006

Attachment 1  
Page 2 of 2

	January	February	March	April	May	June	July	August	September	October	November	December	Total 2006
(1) Balance - Beginning of Month	\$ 37,001,148.73	\$ 31,349,840.06	\$ 25,611,251.34	\$ 21,135,438.14	\$ 20,625,843.22	\$ 24,273,753.73	\$ 28,904,639.65	\$ 34,930,818.63	\$ 41,238,296.64	\$ 46,651,087.73	\$ 61,403,515.15	\$ 61,325,883.99	\$ 37,001,148.73
(2) Bad Debts Written Off	3,580,253.96	2,778,811.65	3,484,687.81	3,848,615.26	6,105,488.16	5,983,427.77	7,189,930.83	7,287,425.78	6,653,104.10	5,996,301.38	4,408,330.26	6,653,191.99	63,969,570.95
(3) Amortization of A/R Regulatory Asset	844,929.74	844,929.74	844,929.74	844,929.74	844,929.74	844,929.74	844,929.74	844,929.74	844,929.74	844,929.74	844,929.74	844,929.74	10,139,156.88
(4) Recovery - Base Rates	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Recovery - Bad Debt Rider	6,407,857.11	6,408,555.60	5,764,973.34	3,268,775.40	1,843,418.54	1,097,523.83	957,983.78	935,500.99	1,069,584.84	2,189,134.96	4,243,472.53	5,799,520.64	39,986,301.56
(6) Recovery - Other	3,751,210.48	3,024,737.18	3,099,994.00	1,989,603.55	1,520,887.02	1,174,518.41	1,143,459.65	1,001,151.68	1,143,849.40	(9,942,476.45)	1,265,854.80	2,104,169.00	11,276,958.72
(7) Incremental Bad Debt (2)+(3)-[(3)+(4)+(5)]	(5,733,881.89)	(5,809,551.39)	(4,335,349.79)	(564,833.95)	3,586,112.34	4,556,315.27	5,933,417.14	6,195,702.85	5,284,599.60	14,594,572.61	(256,067.33)	(405,567.91)	22,845,467.55
(8) Balance Subtotal (1) + (7)	31,267,266.84	25,540,288.67	21,075,901.55	20,570,604.19	24,211,955.56	28,830,069.00	34,838,056.79	41,126,521.48	46,522,896.24	61,245,660.34	61,147,447.82	60,920,316.08	59,846,616.28
(9) Carrying Charges [(1)+(8)]/2 x (d) (1)	82,573.22	70,962.67	59,536.59	55,239.03	61,798.17	74,570.65	92,761.84	111,775.16	128,191.49	157,854.81	178,436.17	178,562.68	1,252,262.48
(10) Cumulative Balance for Recovery	\$ 31,349,840.06	\$ 25,611,251.34	\$ 21,135,438.14	\$ 20,625,843.22	\$ 24,273,753.73	\$ 28,904,639.65	\$ 34,930,818.63	\$ 41,238,296.64	\$ 46,651,087.73	\$ 61,403,515.15	\$ 61,325,883.99	\$ 61,098,878.76	\$ 61,098,878.76
(d) Monthly Carrying Charge Rate	0.24191%	0.24947%	0.25504%	0.26490%	0.27565%	0.28085%	0.29105%	0.29392%	0.29214%	0.29260%	0.29120%	0.29214%	
Annualized short-term debt rate	4.46599%	4.60565%	4.70852%	4.89041%	5.08896%	5.18490%	5.37325%	5.42628%	5.39330%	5.40191%	5.37606%	5.39328%	

## **Attachment 2**



**DOMINION EAST OHIO**  
**Uncollectibles Expense Rider Calculation**  
**2007**

**Attachment 2**

	<u>Amount</u>	<u>East Ohio Unit Rate/ Mcf</u>	<u>West Ohio Unit Rate/ Mcf</u>
<b>Balance of Deferred Uncollectible Accounts Expense @3/31/2007</b>	\$ 43,600,351.25	\$ 0.2597	\$ 0.2597
<b><u>Estimated Uncollectible Accounts Expense for Twelve Months Ending 3/31/2008</u></b>			
Charge-off Amount	\$53,477,000.00		
Customer Recoveries	<u>(16,407,516.29)</u>		
Net amount	37,069,483.71	\$ 0.2208	\$ 0.2208
<b><u>Amortization of Deferred A/R per Case No. 01-2592-GA-UNC</u></b>			
Balance @ 12/31/2003	\$ 50,695,784.13    10,139,156.88	\$ 0.0604	\$ 0.0604
<b>Total to be collected</b>	<u>\$ 90,808,991.84</u>	<b>\$ 0.5409</b>	<b>\$ 0.5409</b>
<b>Gross Receipts Tax @4.8957% (East Ohio)</b>		<u>\$ 0.0265</u>	
<b>Gross Receipts Tax @4.8651% (West Ohio)</b>			<u>0.0263</u>
<b>Total Rate</b>		<b>\$ 0.5674</b>	<b>\$ 0.5672</b>
<b>Approved Rate Implemented Effective July 2006</b>		<u>\$ 0.2906</u>	<u>\$ 0.2905</u>
<b>Uncollectible Expense Rider Adjustment</b>		<u>\$ 0.2768</u>	<u>\$ 0.2767</u>
	<b>% Change</b>	<b>95.3%</b>	<b>95.2%</b>

**Applicable volumes:**

Apr-Dec 2006	80,899,855.2
Jan-Mar 2007	<u>87,003,434.5</u>
	<u>167,903,289.7</u>

## **Attachment 3**

## **Uncollectible Expense Rider**

### **Applicability**

Applicable to all Customers responsible for payment of East Ohio's Interim Emergency and Temporary PIP Plan Rider.

An additional charge of \$0.5674 per Mcf shall be applied to all volumes for service rendered under the applicable rate schedules to recover the cost associated with uncollectible accounts arising from those Customers responsible for paying the Uncollectible Expense Rider. East Ohio shall file an application with the Public Utilities Commission of Ohio requesting approval to change the rate if the Company determines that an adjustment of more than plus or minus ten percent is needed to adjust for prior period over- or under-collections.

Issued:

Effective: With bills rendered on or after

Filed under authority of the Public Utilities Commission of Ohio in Case No. 07-\_\_\_-GA-UEx

Bruce C. Klink, Vice President

## **Uncollectible Expense Rider (West Ohio Division)**

### **Applicability**

Applicable to all Customers throughout the West Ohio Division of East Ohio's service area who are responsible for payment of East Ohio's Interim Emergency and Temporary PIP Plan Rider.

An additional charge of \$0.5672 per Mcf shall be applied to all volumes for service rendered under the applicable rate schedules to recover the cost associated with uncollectible accounts arising from those Customers responsible for paying the Uncollectible Expense Rider. East Ohio shall file an application with the Public Utilities Commission of Ohio requesting approval to change the rate if the Company determines that an adjustment of more than plus or minus ten percent is needed to adjust for prior period over- or under-collections.

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Bruce C. Klink, Vice President

## Uncollectible Expense Rider

### Applicability

Applicable to all Customers responsible for payment of East Ohio's Interim Emergency and Temporary PIP Plan Rider.

An additional charge of ~~\$0.2906~~5674 per Mcf shall be applied to all volumes for service rendered under the applicable rate schedules to recover the cost associated with uncollectible accounts arising from those Customers responsible for paying the Uncollectible Expense Rider. East Ohio shall file an application with the Public Utilities Commission of Ohio requesting approval to change the rate if the Company determines that an adjustment of more than plus or minus ten percent is needed to adjust for prior period over- or under-collections.

## **Uncollectible Expense Rider (West Ohio Division)**

### **Applicability**

Applicable to all Customers throughout the West Ohio Division of East Ohio's service area who are responsible for payment of East Ohio's Interim Emergency and Temporary PIP Plan Rider.

An additional charge of ~~\$0.2905-5672~~ per Mcf shall be applied to all volumes for service rendered under the applicable rate schedules to recover the cost associated with uncollectible accounts arising from those Customers responsible for paying the Uncollectible Expense Rider. East Ohio shall file an application with the Public Utilities Commission of Ohio requesting approval to change the rate if the Company determines that an adjustment of more than plus or minus ten percent is needed to adjust for prior period over- or under-collections.