

FILE



## The Public Utilities Commission of Ohio

*Monitoring marketplaces and enforcing rules to assure safe, adequate, and reliable utility services.*

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June 5, 2008

Docketing Division  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, Ohio 43215

RECEIVED-DOCKETING DIV  
2008 JUN -6 AM 11:39  
PUCO

RE: *In the Matter of the Application of Pike Natural Gas Company for  
Approval to continue its Uncollectible Expense Rider Rate, Case No.  
08-562-GA-UEX*

Dear Docketing Division:

Enclosed please find the Staff's Comments regarding Pike Natural Gas Company's application for a continuation of its existing uncollectible expense rider in Case No. 08-562-GA-UEX.

Respectfully submitted,

*Steve Puican*

Steve Puican  
Co-Chief, Rates & Tariffs/Energy & Water Division  
Public Utilities Commission of Ohio

Enclosure  
cc: Parties of Record

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**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	:	
Pike Natural Gas Company for	:	
Approval of an Adjustment to its	:	Case No. 08-562-GA-UEX
Uncollectible Expense Rider Rate.	:	

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**COMMENTS  
OF THE STAFF OF  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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Date submitted: June 5, 2008

Application of Pike Natural Gas Company  
Case No. 08-562-GA-UEx

In Case No. 03-1127-GA-UNC, the Commission authorized the concept of an uncollectible accounts expense recovery mechanism for five gas companies. The mechanism approved allows for recovery of actual bad/uncollectible debt through a rider, rather than through base rates. Subsequently, Pike Natural Gas Company (Pike) was authorized in Case No. 04-1339-GA-UEx to establish a rider recovery mechanism consistent with that which was approved in Case No. 03-1127-GA-UNC. Pike implemented its first uncollectible expense rider in conjunction with the base rate revision in Case No. 05-824-GA-AIR.

On April 30, 2007, Pike filed to revise its initial uncollectible expense rider rate in Case No. 07-513-GA-UEx. Staff reviewed the application and made its recommendations to the Commission, which approved Pike's application to increase its uncollectible expense rider from \$0.00787 per Mcf to \$0.0155 per Mcf effective July 1, 2007.

On September 14, 2007, Staff docketed its report on Pike and Eastern Natural Gas Companies Audit of Uncollectible Expense Mechanism for the Effective Period of January 2004 through December 2006 as part of an on-going Gas Cost Recovery (GCR) audit for these companies. In its audit staff verified the uncollectible expense monthly balances and writes-offs for the 2004, 2005 and 2006 and found no errors. Staff also traced individual customers whose balances were written-off and included in the uncollectible monthly expense balances and found no discrepancies.

On April 30, 2008, Pike filed the current application for a continuation of its existing uncollectible expense rider as approved in Case No. 07-513-GA-UEx. Staff has completed its review of the application and herewith provides a brief description of the application, its attachments and recommendation.

Application

Pike's application would continue to bill the existing rider rate of \$0.0155 per Mcf. The existed rate would allow Pike to amortize its over-collected balance against projected uncollectible expenses over the next two years.

Attachment 1, page 1 of 2 provides Pike's ending uncollectible balance as of December 31, 2007 as an over-collected balance of \$61,017 and if passed back to customer's over two years it would result in a credit \$0.0370 per Mcf. Pike then projected its uncollectible expense for the next 12 months to be the same as its 2007 uncollectible expense of \$43,361 or an uncollectible expense rider rate of \$0.0525 per Mcf. The final step in Pike's calculation was to net the over-collection credit of \$0.0370 per Mcf against the projected annual

uncollectible expense rider of \$0.0525 per Mcf to arrive at \$0.0155 per MCF, which is the currently effective rate.

Attachment 1, page 2 of 2, Pike provides its annual balance reconciliation for the calendar year 2007. The annual balance reconciliation reflects the beginning balance and ending balances and the increase in uncollectible expense rider in July 2007 from \$0.00787 per Mcf to \$0.0155 per Mcf, along with the monthly uncollectible expenses and recoveries for 2007.

Attachment 2 provides a copy of the existing tariff sheet.

### Recommendation

Staff notes that the Finding and Order in Case No. 03-1127-GA-UNC ordered that the uncollectible expense rider be evaluated as part of the financial audit in gas cost recovery proceedings. Staff recommends that in the next financial audit of Pike's GCR in 2009, that Staff examine the monthly uncollectible expense balances and write-offs and recoveries for 2007 and 2008 and any required adjustments/corrections be considered in the next uncollectible expense rider application. Staff shall also randomly sample customers whose balances have been written-off to determine if the write-offs were timely and how subsequent payments were accounted for.

Staff has performed a preliminary review of the filed balance reconciliation covering calendar year 2007 and the application. At this time, Staff does not propose any adjustment to the balance reconciliation and believes that the application appropriately calculates the rider. Staff recommends that the existing Uncollectible Expense Rider of Pike Natural Gas Company of \$0.0155 per MCF remain in effect.