



# The Public Utilities Commission of Ohio

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

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May 29, 2009

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

RE: *In the Matter of the Application of Ohio Gas Company for  
Approval to continue its Uncollectible Expense Rider Rate, Case  
No. 09-399-GA-UEx*

Dear Docketing Division:

Enclosed please find the Staff's Comments regarding Ohio Gas Company's application for a continuation of its existing uncollectible expense rider in Case No. 09-399-GA-UEx.

Respectfully submitted,

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 :  
Ohio Gas Company for :  
Approval of an Adjustment to its : Case No. 09-399-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: May 29, 2009

Application of Ohio Gas Company  
Case No. 09-399-GA-UEX

In Case No. 03-1127-GA-UNC, the Commission authorized the concept of an uncollectible accounts expense recovery mechanism for five natural gas companies. The mechanism approved allows for recovery of actual bad/uncollectible debt through a rider, rather than through base rates. Subsequently, Ohio Gas Company (Ohio Gas) was authorized in Case No. 05-1439-GA-UEX to establish a rider recovery mechanism consistent with that which was approved in Case No. 03-1127-GA-UNC in which it established its initial rider rate.

On May 16, 2006, Ohio Gas filed to revise its initial uncollectible expense rider rate in Case No. 06-706-GA-UEX. Staff reviewed this application and made its recommendations to the Commission, which approved Ohio Gas' application to increase its uncollectible expense rider from \$0.0282 per Mcf to \$0.0658 per Mcf effective July 1, 2006.

On May 2, 2007, Ohio Gas filed its second annual uncollectible expense filing in Case No. 07-536-GA-UEX. In its application, Ohio Gas requested Commission authority to decrease its uncollectible rider rate from \$0.0658 per Mcf to \$0.0384 per Mcf. On June 6, 2007, the Commission granted Ohio Gas' request.

On May 14, 2008, Ohio Gas filed its third annual uncollectible expense filing in Case No. 08-597-GA-UEX. In its application, Ohio Gas requested Commission authority to decrease its uncollectible rider rate even further from \$0.0384 per Mcf to \$0.0094 per Mcf. On July 2, 2008, the Commission granted Ohio Gas' request.

On September 19, 2008, Staff docketed its report on Ohio Gas Company Audit of Uncollectible Expense Mechanism for the Effective Period of January 2005 through December 2007 as part of an on-going Gas Cost Recovery (GCR) audit for the Company in Case No. 08-212-GA-GCR. In its audit, staff verified the uncollectible expense monthly balances and write-offs for 2005, 2006 and 2007 and found an error in the December 2005 write-off amount. Staff traced individual customers whose balances were written-off and included in the uncollectible monthly expense balances and found no discrepancies. Staff also found that the Company had been recording the gross amount received from collection agencies and not the net amount, which recognized the payments made by Ohio Gas to these collection agencies.

Staff recommended that Ohio Gas reduce its beginning balance in its next Uncollectible Expense Rider application by \$1,604 to reflect the difference in December 2005 Bad Debt Written Off amounts. Staff also recommended that the Commission allow Ohio Gas to collect the fees paid to collection services for the years of 2005, 2006, and 2007 in the amount of \$103,767. The \$103,767 amount would increase the Uncollectible Expense Rider's beginning balance at the time of the Company's next application. Company adopted Staff's recommendations in a stipulation filed on November 18, 2008 and approved by the Commission on January 29, 2009.

On May 7, 2009, Ohio Gas filed the current application for an increase in its uncollectible expense rider. Ohio Gas is requesting that the current rate of \$0.0094 per Mcf be increased to \$0.0910 per Mcf. Staff has completed its review of the application and herewith provides a brief description of the application, its attachments and recommendation.

### Application

Ohio Gas' application would increase the existing rider rate of \$0.0094 per Mcf to \$0.0910 per Mcf or an increase of 868%. This is a substantial percentage increase, but an approximate eight cent increase in rates.

In Attachment 1 to the application, page 1 of 2 shows Ohio Gas' Annual Balance Reconciliation (ABR) for the calendar year 2008. In Attachment 1, page 2 of 2 shows the Company ABR for the first quarter of 2009. Attachment 1 reflects the beginning and ending balances for 2008 and the first quarter of 2009, along with the Bad Debt Written Off amounts and recoveries from the Bad Debt Rider and "Other" sources. The Company also incorporated the audit recommendations made in Case No. 08-212-GA-GCR in its December 2008 Recovery - Other.

In Attachment 2 to the application, Ohio Gas provides its uncollectible expense rider calculation utilizing the 12 months ending March 31, 2009. In its calculation, the Company starts with the March 31<sup>st</sup> ending balance of \$176,048 and then adds the net of its estimated write-offs less recoveries ( $\$505,576 - \$121,494 = \$384,082$ ). The result is \$560,130, the amount to be collected through Ohio Gas' rider. The amount to be collected is divided by applicable volumes to arrive at a rate of \$0.0910 per Mcf. This is an increase of \$0.0816 per Mcf.

In Attachment 3, the Company incorporates the proposed uncollectible expense rider rate in its tariffs.

### Recommendation

Staff recommends that in the next audit of Ohio Gas' uncollectible expense rider in 2010, Staff examine the monthly uncollectible expense balances and write-offs and recoveries for 2008 and 2009 and any required adjustments/corrections be considered in the 2011 uncollectible expense rider application.

Staff has performed a preliminary review of the annual balance reconciliation covering calendar year 2008, the first quarter of 2009 and the application. Staff recommends that the recommendations in Case No. 08-212-GA-GCR be made to the January 2008 beginning balance and not in the Recovery-Other, as done by the Company. Staff believes that the audit recommendations were related to prior periods and that inclusion of these adjustments in the current period Recovery - Other distorts Ohio Gas' current level of recovery. Placing the audit recommendations into the January 2008 beginning balance does not alter the December 31, 2008 or

March 31, 2009 ending balance, but it does increase Recovery – Other from the amount shown by the Company on Attachment 2 from \$121,494 to \$223,657 or an increase of \$102,163. This increase reduces the amount to be collected from \$560,130 to \$457,947 and thus reduces the Company's proposed rider rate from \$0.0910 per Mcf to \$0.0744 per Mcf or a reduction of \$.0166 per Mcf. Staff's Annual Balance Reconciliation calculations for calendar year 2008 and the first quarter of 2009, along with the calculation of its uncollectible expense rider rate are shown on Exhibit 1.

Staff recommends that the Commission adopt its proposed uncollectible expense rider rate of \$0.0744. Staff believes that based on its Exhibit 1 and the current level of under-recoveries facing Ohio Gas an increase in the Company's rider rate is warranted to mitigate an even larger rider rate increase in the future.

Ohio Gas Company  
Case No. 09-399-GA-UEx  
Bad Debt Rider - Uncollectible Expense Rider  
Annual Balance Reconciliation - 2008

Exhibit 1  
Page 1 of 2

	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
(1) Balance - Beginning of the Month	\$130,993	\$109,983	\$29,323	-\$14,183	-\$25,911	\$13,196	\$62,976	\$105,694	\$134,034	\$174,033	\$190,664	\$176,312
(2) Bad Debt Written Off	\$45,113	\$5,398	\$15,667	\$29,663	\$63,667	\$64,025	\$56,437	\$39,498	\$52,541	\$52,400	\$40,826	\$10,735
(3) Recovery - Base Rate	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(4) Recovery - Bad Debt Rider (a)	\$42,156	\$45,869	\$39,265	\$23,777	\$10,664	\$6,053	\$4,247	\$969	\$1,021	\$1,794	\$3,805	\$9,095
(5) Recovery - Other (b)	\$23,967	\$40,189	\$19,908	\$17,614	\$13,896	\$8,192	\$9,472	\$10,189	\$11,521	\$33,975	\$51,373	-\$8,855
(6) Incremental Bad Debt (2)-[(3)+(4)+(5)]	-\$21,010	-\$80,660	-\$43,506	-\$11,728	\$39,107	\$49,780	\$42,718	\$28,340	\$39,999	\$16,631	-\$14,352	\$10,495
(7) Balance Subtotal (1)+(6)	\$109,983	\$29,323	-\$14,183	-\$25,911	\$13,196	\$62,976	\$105,694	\$134,034	\$174,033	\$190,664	\$176,312	\$186,807
(8) Carrying Charges ((1)+(7))/2*©	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(9) Balance - End of the month (7)+(8)	\$109,983	\$29,323	-\$14,183	-\$25,911	\$13,196	\$62,976	\$105,694	\$134,034	\$174,033	\$190,664	\$176,312	\$186,807

	Jan-09	Feb-09	Mar-09		
(1) Balance - Beginning of the Month	\$186,807	\$211,030	\$192,809	March 31, 2009 Ending Balance	\$176,048
(2) Bad Debt Written Off	\$65,219	\$8,877	\$21,668	12 months write-offs ending March 2009	\$505,556
(3) Recovery - Base Rate	\$0	\$0	\$0		
(4) Recovery - Bad Debt Rider (a)	\$12,018	\$10,290	\$7,935		
(5) Recovery - Other (b)	\$28,978	\$16,808	\$30,494	Recovery - Other (12 months ending March 2009)	<u>\$223,657</u>
(6) Incremental Bad Debt (2)-[(3)+(4)+(5)]	\$24,223	-\$18,221	-\$16,761	Amount to be recovered through Bad Debt Rider	\$457,947
(7) Balance Subtotal (1)+(8)	\$211,030	\$192,809	\$176,048	Applicable Volumes	6,157,812.80
(8) Carrying Charges ((1)+(7))/2*©	\$0	\$0	\$0	Staff Proposed Bad Debt Rider Rate	\$0.0744
(9) Balance - End of the month (7)+(8)	\$211,030	\$192,809	\$176,048	Current Bad Debt Rider Rate	\$0.0094
				Change in Bad Debt Rider Rate	\$0.0650