

Ohio

Public Utilities  
Commission

Ted Strickland, Governor  
Alan R. Schriber, Chairman

FILE

Commissioners

Ronda Hartman Fergus  
Valerie A. Lemmie  
Paul A. Centolella  
Cheryl Roberto

May 10, 2010

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

RECEIVED-DOCKETING DIV  
2010 MAY 10 AM 9:00  
PUCO

RE: *In the Matter of the Application of Eastern Natural Gas Company for Approval of an Adjustment to its Uncollectible Expense Rider Rate, Case No. 10-572-GA-ATA.*

Enclosed please find the Staff's Report regarding Eastern Natural Gas Company's revision to its Uncollectible Expense Rider rate.

Respectfully submitted,

*Steve Puican*

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

Enclosure  
cc: Parties of Record

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business  
Technician \_\_\_\_\_ Date Processed MAY 10 2010

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	)	
Eastern Natural Gas Company for	)	
Approval of an Adjustment to its	)	Case No. 10-572-GA-UEX
Uncollectible Expense Rider Rate.	)	

---

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

---

Date submitted: May 10, 2010

Application of Eastern Natural Gas Company  
Case No. 10-572-GA-UEx

Background

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, Eastern Natural Gas Company (Eastern) was authorized in Case No. 04-1619-GA-UEx to begin to defer its uncollectible expenses. In that same proceeding, the Commission directed that establishment of a rider to recover those deferrals would be considered in conjunction with Eastern's base rate revision in Case No. 04-1779-GA-AIR. On January 11, 2006, the Commission issued its Opinion and Order in that case and authorized an initial uncollectible rider rate of \$0.088 per Mcf. Since that time Eastern has filed annual updates to adjust the rider rate and the Commission has authorized such subsequent revisions. The history of Eastern's rider is as follows:

January 2006 - June 2007	\$0.0880 per Mcf
July 2007 - July 2008	\$0.1203 per Mcf
August 2008 - June 2009	\$0.0808 per Mcf
July 2009 - Current	\$0.0460 per Mcf

On April 29, 2010, Eastern filed the pending application to revise its current uncollectible expense rider rate. Staff has reviewed the application and makes its findings and recommendations in this staff report.

Application

Eastern's application would increase the existing rider rate of \$0.0460 per Mcf to \$0.0758 per Mcf or an increase of 64.8%. Page 1 of Attachment 1 to the application, provides the calculation for the revised rider rate. Eastern's ending uncollectible balance as of December 31, 2009 is an over-collected balance of \$5,520 and if passed back to customer's over two years would result in a credit of \$0.0037 per Mcf. Eastern then projected its uncollectible expense for the next 12 months to be \$58,647 which would require an uncollectible expense rider rate of \$0.0795 per Mcf to keep rider revenues current with that level of uncollectibles. The final step in Eastern's calculation was to net the over-collection credit of \$0.0037 per Mcf against the projected annual uncollectible expense rider of \$0.0795 per Mcf to arrive at the new rider rate of \$0.0758 per MCF.

Page 2 of Attachment 1 provides Eastern's month-by-month balance reconciliation for the calendar year 2009. The balance reconciliation reflects the beginning balance, the incremental bad debt written off, the incremental uncollectible expense rider recoveries

and the ending balance for 2009. In reviewing the annual balance reconciliation, Staff notes that the beginning balance on January 1, 2009 was -\$1,163 and the ending balance of December 31, 2009 was \$5,520, which means Eastern eliminated its beginning year under-collection and accumulated an additional over-collection of \$5,520. Eastern's proposed rate would eliminate the current over-collected balance and more closely match rider revenues with actual bad debt incurred on a going-forward basis.

### Recommendation

Staff has performed a preliminary review of the annual balance reconciliation covering calendar year 2009 and, at this time, Staff does not propose any adjustment to the reconciliation. Much of the need for the increase is due to an issue discovered in Staff's 2009 audit of Eastern's GCR and UEX rates. That audit showed that there was an error in the calculation of the \$0.0460 rate currently in effect that resulted in that rate being significantly lower than it would have been in the absence of the error. The result was a rider rate that was not keeping current with the actual level of uncollectibles being incurred. Although there was a positive balance of \$5,520 at year end 2009 with the current rate in effect, that compares to a positive balance of \$26,387 at the end of June 2009 when the rate was reduced from \$0.0808 to \$0.0460. The increase in the proposed rate to \$0.0758 resets the rate to a more sustainable level.

Staff believes Eastern's application appropriately calculates the rider and recommends the proposed rate of \$0.0758 per Mcf be approved. Staff also recommends that in the next financial audit of Eastern's GCR in 2011, Staff examine the monthly uncollectible expense balances and write-offs and recoveries for 2009 and 2010 and any required adjustments/corrections be incorporated into the 2012 uncollectible expense rider application.