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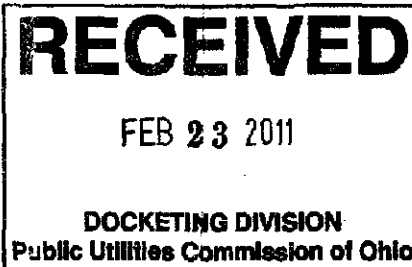
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**A report by the Staff of the
Public Utilities Commission of Ohio**

**Waterville Gas and Oil Company
11-317-GA-UEx**

**Audit of the Uncollectible Expense Mechanisms
for the period January 2009 through December 2010**

March 3, 2011



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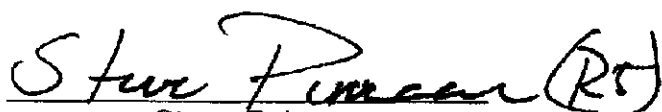
Ohio

**Public Utilities
Commission**

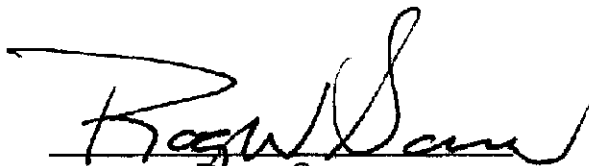
Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of the Waterville Gas and Oil Company (Waterville or Company) Uncollectible Expense (UEX) rider rates for January 1, 2009 through December 31, 2010. The Staff audited the material as set forth in the Commission Entry in Case No. 11-317-GA-UEx.

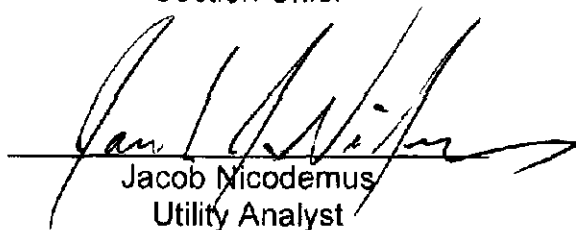
Our audits have revealed certain findings, as discussed in this audit report, which should be addressed in this proceeding. The Staff notes that at the time of preparing this report, unless otherwise noted, Waterville accurately calculated its UEX rider rates for the time period discussed in this report. The Staff has performed investigations into these specific areas and respectfully submits its findings and recommendations.



Steve Puican
Section Chief



Roger Sarver
Gas Specialist



Jacob Nicodemus
Utility Analyst

**Waterville Gas & Oil Company
Uncollectible Expense Rider**

This was Staff's second audit of Waterville's Uncollectible Expense (UEX) Rider. In Staff's initial audit of Waterville's UEX Rider in Case No. 09-217-GA-GCR, Staff made five recommendations that the Commission adopted. Staff has examined these recommendations in the course of this audit, along with the standard UEX audit requirements.

Staff initiated its UEX audit with the verification of the Company's write-offs as shown on its annual balance reconciliations (ABRs) for 2009 and 2010. The Company's write-offs were sourced from its Uncollectible Accounts Expense Rider Detail summaries (summaries). These summaries contained the following information: customer's name, account number, balance at time of write off, the month in which the balance was written off, any subsequent payments, any legal action taken by Waterville, service off date, and last payment date.

In its review of the 2009 and 2010 summaries, Staff found that Waterville wrote off twenty-seven accounts representing twenty-three customers. Four of these accounts were assigned to the same customer at multiple locations. Of all accounts written off, three were written off due to bankruptcy, and all others were written off due to the customers moving out of Waterville's service area. Of these accounts, seven customers made subsequent payments on their balances and six of them paid their accounts in full.

Staff then selected random customers from the summaries and requested their complete billing histories for detailed examination. From the billing histories Staff tied the ending account balances to the summaries. Staff noted the dates of final payments and the application of each customer's deposit towards the unpaid balance. Staff also traced subsequent customer payments to their accounts to ensure that their balances were reduced by the amount of their payments.

Findings

Staff has reviewed Waterville's write-offs for 2009 and 2010 and found the following:

1. Staff found that all of the account balances written off tied to customers' final account balances on their billing histories. Staff also found that all subsequent payments made by customers were credited to their accounts.

2. Staff found that Waterville wrote off the customers' account balances at least 60 days after a customer's final payment. This is consistent with a prior audit recommendation.
3. Staff examined the Company's correspondence with outside collection agencies (OCAs) and found the OCAs contacted had little or no interest in working with a utility with such small collectibles. Staff believes that the Company has addressed the prior audit recommendation related to investigating the use of OCAs.
4. Waterville has written credit and collection policies that it filed in Case No. 09-981-GA-UEx. Staff finds that the Company has properly implemented these credit and collection policies.
5. Waterville includes short term carrying costs on its over-collected UEX balances. This is consistent with a prior audit recommendation.

Recommendations

Staff has no recommendations at time.

