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August 10, 2011

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

RE: *In the Matter of the Uncollectible Expense Rider of Northeast Ohio Natural Gas Corporation*, Case No. 11-3505-GA-UEx.

Enclosed please find the Staff's Comments regarding Northeast Ohio's Uncollectible Accounts Expense Rider balance reconciliation statement and rate proposal in Case No. 11-3505-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 Uncollectible Expense)	
Rider of Northeast Ohio Natural Gas)	Case No. 11-3505-GA-UEx
Corporation.)	

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

Date submitted: August 10, 2011

Application of Northeast Ohio Natural Gas Corporation Case No. 11-3505-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, In Case No. 04-0964-GA-ATA, Northeast Ohio Natural Gas Corporation (Northeast) filed an Application for Tariff Approval (Application) with the Public Utilities Commission of Ohio (Commission). The Application, among other things, sought approval to establish and implement an Uncollectible Expense Rider (UEX Rider).

On November 10, 2004, the Commission issued an Opinion and Order authorizing Northeast to establish and implement an initial UEX Rider of \$0.01 per MCF to its Small General Service (SGS) rate schedule, which became effective with the company's tariff filing on November 12, 2004.

On November 7, 2007, in Case No. 07-934-GA-UEx, the Commission approved Northeast's current UEX rider of \$0.081 per Mcf.

On August 19, 2009, in Case No. 08-1229-GA-COI, *In the Matter of the Five-Year Review of Natural Gas Company Uncollectible Expense Riders*, the Commission required natural gas companies including Northeast to file annual reports detailing their bad debt accounts and calculations regarding the recovery of bad debt accounts.

On June 9, 2011, Northeast filed the pending application to revise its current uncollectible expense rider rate from \$0.081 per Mcf to \$0.01 per Mcf. On August 8, 2011, Northeast filed an amended application, to include actual uncollectible balances through July 31, 2011 and estimated balances through May 31, 2012. The amended application revised the UEX rider from \$0.01 per Mcf to \$0.00 per Mcf. Staff has reviewed the amended application and makes its findings and recommendations in this staff report.

Application

Northeast is proposing in this amended application to decrease its UEX rate from \$0.081 per Mcf to \$0.00 per Mcf, a rate change of \$0.081 per Mcf, or 100 percent. Northeast proposes this decrease in the UEX rate based on its actual deferred uncollectible accounts expense as of July 31, 2011 plus estimated bad debt write-offs, UEX rider recoveries and sales volumes through May 31, 2012.

Page 1 of Attachment 1 to the application, Northeast's beginning balance for January, 2010, is an over-collection of \$3,754.03. This balance is based on Staff's audit of Northeast's uncollectible

expense mechanisms and recommendation in Case No. 10-309-GA-UEx, *Audit of the Uncollectible Expense Mechanisms for the period of January, 2007 through December, 2009*. Subsequently, the ending balance for December, 2010, shows an under-collected balance in the amount of \$7,495.71.

Page 2 of Attachment 1 to the application provides Northeast's actual uncollectible balances for January through July 31, 2011. Estimates of the uncollectible balances are provided for June through December 31, 2011. Northeast has reported the actual Uncollectible Account balance as of July 31, 2011 to be an over-collection of \$103,734.24.

Page 3 of Attachment 1 to the application shows Orwell's estimated balances by month through May 2012. This includes account balances based on estimated bad debt and estimated sales volumes by month. The uncollectible expense account balance ending May 31, 2012 is estimated to be an over-collection of \$7,121.80.

Northeast'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.

Findings

Staff performed a review of the annual balance reconciliation for calendar year 2010 and 2011 (as of July 31), and performed a review of the estimated balance reconciliations for August, 2011 through May, 2012 provided by Northeast in its application.

Staff's review of the Page 1 of Attachment 1 concurs with Northeast's data and ending balance for calendar year 2010. Staff reviewed Northeast's actual figures for January through July 31, 2011 and concurs with the data submitted in the application.

Staff then reviewed the estimates in the application for the period August 1, 2011 through May 31, 2012 (Pages 2 and 3). Staff concurs with the data submitted in the amended application.

Recommendation

Staff performed a review of the annual balance reconciliation for calendar years 2010 and 2011, and through May 31, 2012 provided by Northeast in its amended application. Staff believes Northeast's amended application appropriately calculates the rider and recommends the new proposes rate of \$0.00 per Mcf be approved.

Northeast Ohio Natural Gas Corp

Bad Debt Rider

\$0.081 / Mcf

Annual Balance Reconciliation

2010

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
(1) Balance - Beginning of Month	(\$3,754.03)	(\$32,768.12)	(\$59,608.99)	(\$72,602.91)	(\$77,346.89)	(\$23,100.06)	(\$14,554.53)	(\$5,100.35)	\$4,174.08	\$14,123.99	\$15,455.43	\$13,867.67
(2) Bad Debts Written Off	(\$68.37)	\$0.00	\$9,983.40	\$8,646.54	\$61,740.49	\$13,031.29	\$13,260.92	\$12,975.12	\$13,489.51	\$6,482.12	\$8,672.18	\$11,545.81
(3) Recovery - Base Rates	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(4) Recovery - Bad Debt Rider	(\$28,835.08)	(\$26,561.04)	(\$22,576.81)	(\$12,936.27)	(\$7,189.38)	(\$4,371.69)	(\$3,747.20)	(\$3,697.89)	(\$3,595.03)	(\$5,240.28)	(\$10,348.77)	(\$17,982.43)
(5) Recovery - Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(6) Incremental Bad Debt	(\$28,903.45)	(\$26,561.04)	(\$12,593.41)	(\$4,289.73)	\$54,551.11	\$8,659.60	\$9,513.72	\$9,277.23	\$9,894.48	\$1,241.84	(\$1,676.59)	(\$6,436.62)
(7) Balance Subtotal	(\$32,657.48)	(\$59,329.16)	(\$72,202.40)	(\$76,892.64)	(\$22,795.78)	(\$14,440.46)	(\$5,040.81)	\$4,176.88	\$14,068.56	\$15,365.83	\$13,778.84	\$7,431.05
(8) Carrying Charges	(\$110.64)	(\$279.84)	(\$400.51)	(\$454.24)	(\$304.28)	(\$114.07)	(\$59.54)	(\$2.81)	\$55.43	\$89.60	\$88.83	\$64.72
(9) Balance - End of Month	(\$32,768.12)	(\$59,608.99)	(\$72,602.91)	(\$77,346.89)	(\$23,100.06)	(\$14,554.53)	(\$5,100.35)	\$4,174.08	\$14,123.99	\$15,455.43	\$13,867.67	\$7,495.77
Net Monthly Carrying Charge Rate	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%
Billing System Volumes	356,016.3	327,932.9	278,732.0	159,702.5	88,760.5	53,970.7	46,720.6	45,651.6	44,828.8	64,928.4	127,775.1	222,054.1

Northeast Ohio Natural Gas Corp

Bad Debt Rider

\$0.081 / Mcf Jan - July

Annual Balance Reconciliation

\$0.00 / Mcf Aug - Dec

2011

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
(1) Balance - Beginning of Month	\$7,495.71	(\$15,927.77)	(\$48,455.76)	(\$69,441.42)	(\$88,002.34)	(\$95,865.35)	(\$100,273.98)	(\$103,733.39)	(\$94,333.39)	(\$84,876.27)	(\$75,361.68)	(\$65,789.26)
(2) Bad Debts Written Off	\$6,724.78	(\$2,275.18)	\$754.53	(\$327.60)	\$1,985.24	\$1,167.22	\$1,217.91	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
(3) Recovery - Base Rates	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(4) Recovery - Bad Debt Rider	(\$30,122.72)	(\$30,057.77)	(\$21,383.03)	(\$17,756.38)	(\$9,291.26)	(\$4,981.68)	(\$4,059.32)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(5) Recovery - Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(6) Incremental Bad Debt	(\$23,397.94)	(\$32,332.95)	(\$20,628.50)	(\$18,083.98)	(\$7,306.02)	(\$3,814.46)	(\$2,841.41)	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
(7) Balance Subtotal	(\$15,902.23)	(\$48,260.72)	(\$69,084.26)	(\$87,525.40)	(\$95,308.36)	(\$99,679.81)	(\$103,115.39)	(\$93,733.39)	(\$84,333.39)	(\$74,876.27)	(\$65,361.68)	(\$55,789.26)
(8) Carrying Charges	(\$25.54)	(\$195.04)	(\$357.16)	(\$476.94)	(\$536.99)	(\$594.16)	(\$618.00)	(\$600.00)	(\$542.88)	(\$485.41)	(\$427.59)	(\$369.42)
(9) Balance - End of Month	(\$15,927.77)	(\$48,455.76)	(\$69,441.42)	(\$88,002.34)	(\$95,865.35)	(\$100,273.98)	(\$103,733.39)	(\$94,333.39)	(\$84,876.27)	(\$75,361.68)	(\$65,789.26)	(\$56,158.68)
Net Monthly Carrying Charge Rate	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%
Billing System Volumes	371,869.5	371,101.6	263,990.8	219,214.0	114,706.9	61,505.3	50,115.1	50,000.0	55,000.0	65,000.0	135,000.0	230,000.0

Northeast Ohio Natural Gas Corp

Bad Debt Rider

\$0.00 / Mcf

Annual Balance Reconciliation

2012

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>
(1) Balance - Beginning of Month	(\$56,156.58)	(\$46,467.46)	(\$36,719.46)	(\$26,912.22)	(\$17,045.38)
(2) Bad Debts Written Off	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
(3) Recovery - Base Rates	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(4) Recovery - Bad Debt Rider	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(5) Recovery - Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(6) Incremental Bad Debt	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
(7) Balance Subtotal	(\$46,156.58)	(\$36,467.46)	(\$26,719.46)	(\$16,912.22)	(\$7,045.38)
(8) Carrying Charges	(\$310.88)	(\$252.00)	(\$192.76)	(\$133.16)	(\$73.20)
(9) Balance - End of Month	(\$46,467.46)	(\$36,719.46)	(\$26,912.22)	(\$17,045.38)	(\$7,118.58)

Net Monthly Carrying Charge Rate	0.60770%	0.60770%	0.60770%	0.60770%	0.60770%
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Billing System Volumes	380,000.0	380,000.0	280,000.0	225,000.0	115,000.0
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