BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Five-Year Review of Natural Gas Company Uncollectible Riders.	)))	Case No. 08-1229-GA-COI

FINDING AND ORDER

The Commission finds:

(1) On December 17, 2003, the Commission issued a finding and order in *In the Matter of the Joint Application of The East Ohio Gas Company d/b/a Dominion East Ohio, Columbia Gas of Ohio, Inc., Vectren Energy Delivery of Ohio, Northeast Ohio Natural Gas Corp., and Oxford Natural Gas Company for Approval of an Adjustment Mechanism to Recover Uncollectible Expenses*, Case No. 03-1127-GA-UNC. In that order, the Commission elected to undertake an investigation of the uncollectible expense recovery (UEX) mechanism that was approved in that proceeding 60 months after implementation of its order.

(2) On August 19, 2009, the Commission issued a finding and order in the above-captioned proceeding, which, *inter alia*, determined that a consultant be selected to assist the Commission in the evaluation of the collections policies, practices, and performance of Vectren Energy Delivery of Ohio, Inc. (Vectren), The East Ohio Gas Company d/b/a Dominion East Ohio (Dominion), Duke Energy of Ohio, Inc. (Duke), and Columbia Gas of Ohio, Inc. (Columbia), and issued a request for a proposal.

(3) On September 30, 2009, the Commission, *inter alia*, selected NorthStar Consulting Group (NorthStar) to audit the collections policies and practices. On May 3, 2010, as revised on May 7, 2010, NorthStar filed its audit report.

(4) By entry issued November 3, 2010, the Commission denied motions for protective order filed by Columbia and Duke, and directed the Commission's docketing division to release the unredacted pages of the audit report filed by NorthStar on May 3, 2010. Further, the Commission ordered that interested persons file comments and reply comments on the audit report by January 14, 2011, and February 11, 2011, respectively. By

entry issued January 10, 2011, the attorney examiner extended the deadline for the filing of comments and reply comments to January 28, 2011, and February 25, 2011, respectively.

(5) Initial comments on the audit report were timely filed by the Consumer Advocates[1] and the Citizens Coalition[2] (collectively, the Consumer Groups), as well as Vectren, Dominion, and Columbia.

(6) Reply comments on the audit report were timely filed by the Consumer Groups and joint reply comments were filed by Vectren, Dominion, Duke, and Columbia (collectively, the Local Distribution Companies [LDCs]).

(7) The following section contains a general summary of NorthStar's audit report, followed by a section which contains summaries of the comments and suggestions submitted by various entities in response to NorthStar's audit report, as well as the Commission's responses to those comments. Thereafter, is a section which contains summaries of comments submitted by various entities that were unrelated to the discussion and recommendations contained in the audit report, and the Commission's responses to those comments.

GENERAL SUMMARY OF AUDIT REPORT

(8) NorthStar's audit report makes recommendations for the LDCs, which are categorized as requiring minimal, moderate, or significant incremental costs in order to accomplish the objective (Audit at I-6). NorthStar makes the following specific recommendations for each individual LDC.

(9) For Columbia, NorthStar recommends the following moderate and minimal incremental cost objectives: development of necessary information and validation of the behavioral scoring model; evaluation of modification of the collections timeline and practices so that disconnect orders and termination orders do not expire when a new bill is issued; correction of the winter

1 Consumer Advocates is comprised of the Ohio Consumers' Counsel, Citizens Coalition, Communities United for Action, and Ohio Poverty Law Center.

2 Citizens Coalition is comprised of The Neighborhood Environmental Coalition, The Empowerment Center of Greater Cleveland, Cleveland Housing Network, and Consumers for Fair Utility Rates.

reconnect order (WRO)[3] data provided to Staff and verification that all customers using the WRO are placed on a payment plan; timely removal of percentage of income payment plan (PIPP) customers from the program if the customer fails to reverify income; prompt transfer of accounts to an early-out agency; and completion of an outside collection agency (OCA) review. Additionally, NorthStar recommends the following significant incremental cost objective: evaluation of the cost-effectiveness of the system modifications necessary to charge midstream deposits for delinquent, nonterminated customers. (Audit at I-9.)

(10) For Dominion, NorthStar recommends the following moderate and minimal incremental cost objectives: development of an effective credit and collections strategy; performance evaluations for internal credit and collections staff; modification of processes to allow collection after issuing a new bill; filing for annual PIPP Rider rate adjustments; incorporation of third-party credit scores into the deposit assessment process; evaluation of options to increase termination orders; establishment of termination goals based on the number of eligible accounts; lowering of the threshold for termination activity; better linkage of termination notices on bills to actual termination; linking of collector performance and compensation; development of an automatic process to link multi-manifold meter accounts; evaluation of the effectiveness of the courtesy call program; evaluation of increased focus on offering customers short-term extensions before being informed of extended payment plans; use of a secondary OCA for accounts; and elimination of the payment of reduced OCA commission on older accounts. (Audit at I-12, 13.)

(11) Regarding Duke, NorthStar recommends the following moderate and minimal incremental cost objectives: acceleration of the collections process; performance of an analysis to determine if the risk model score threshold is appropriate to determine residential deposits; rigorous examination of the

[3] In consideration of the winter heating season, for many years, the Commission has determined that it was necessary and prudent to invoke the emergency provisions of Section 4909.16, Revised Code, in order to prevent injury to affected residential customers and support the public interest. The most recent WRO was issued in *In the Matter of the Commission's Consideration of Solutions Concerning the Disconnection of Gas and Electric Service in Winter Emergencies for 2011-2012 Winter Heating Season*, Case No. 11-4913-GE-UNC, September 14, 2011 (Finding and Order).

initial screening process; and increasing the aggressiveness of the disconnection program. (Audit at I-15.)

(12) For Vectren, NorthStar recommends the following moderate and minimal incremental cost objectives: elimination of the three-day lag that occurs before non-pay disconnects are performed; evaluation of the cost-effectiveness of assessing midstream deposits for residential and commercial customers; evaluation of changing the disconnect threshold to coincide with the threshold for actual disconnects; and addition of a second primary OCA. (Audit at I-17.)

(13) Finally, as to all of the LDCs, NorthStar recommends the minimal incremental-cost objective of encouragement of competition among the OCAs through a performance and reward monitoring system (Audit at I-9, I-13, I-15, I-17).

(14) NorthStar's audit report additionally makes recommendations related to specific regulatory programs. In summary, NorthStar recommends that the utilities be required to file quarterly or annual reports providing information on their collections activities and effectiveness to assist the Commission's Staff (Staff), which should, in turn, assist the utilities in developing consistent definitions and reporting framework. (Audit at I-18.)

(15) Additionally, NorthStar recommends that the Commission require annual PIPP filings and adjustments when rates increase or decrease by a certain amount; increase efforts to aggressively pursue terminations for delinquent PIPP customers; develop and implement educational programs for PIPP customers regarding new regulations; restrict the WRO to limited-income customers or, at minimum, develop a tiered-payment amount based on income; and consider eliminating mandatory winter moratoriums. (Audit at I-19.)

COMMENTS RELATED TO NORTHSTAR'S AUDIT REPORT

Benchmark Limitations on UEX Recovery (Audit, Part I)

(16) In the executive summary of its audit report, NorthStar addresses the idea of benchmark limitations on UEX recovery. NorthStar reasons that, currently, a range of 1.5 to 2.5 percent for non-PIPP, bad debt expense represents a reasonable target;

however, NorthStar opines that, as the economy improves or gas prices increase, this range may no longer be appropriate. Consequently, NorthStar recommends that, as opposed to a specific bad debt target, additional reporting requirements should be implemented to assist Commission Staff in monitoring UEX recovery performance. (Audit at I-18.)

NorthStar recommends that the metrics of the additional reporting requirements include: (a) financial information, including non-PIPP residential bad debt as a percent of non-PIPP residential billings, total bad debt as a percent of total billings, delinquency aging, net write-offs and recoveries, and PIPP arrearages; (b) economic information, including the numbers of bankruptcies, PIPP customers, and delinquent customers; and (c) effectiveness information, including the number of accounts eligible for deposits, deposits collected, bills sent, delinquent accounts, accounts eligible for termination notices, termination notices sent, and customers eligible for termination following notification, payment arrangements made and broken by type, accounts eligible for field collections, accounts scheduled for field collections, accounts worked, accounts terminated, and accounts collected. (Audit at I-18, 19.)

(17) The Consumer Groups comment that they support the establishment of a target level of between 1.5 and 2.5 percent of total write-offs compared to billed revenue, as, they contend, was recommended by NorthStar. According to the Consumer Groups, this mechanism would place a reasonable limit on UEX recovery and would only reward the company for credit and collections practices that resulted in minimizing write-offs. (Consumer Groups Initial at 15-16.)

The LDCs reply that the Consumer Groups incorrectly characterize NorthStar's suggestion of a 1.5 to 2.5 percent target as a benchmark. The LDCs point out that NorthStar was hesitant to recommend specific credit and collections targets, and found that most states had not implemented targets or benchmarks. The LDCs also note that limiting UEX recoveries based on a percentage of billed revenues would set up perverse incentives because utilities could simply cease disconnecting and final billing customers once the cap is reached in any given year. (LDCs Reply at 5-6.)

(18) The Commission finds that it is undisputed that some type of mechanism is needed to ensure that appropriate limitations are placed on UEX recovery by the utilities. However, as NorthStar cautions, imposing a 1.5 to 2.5 percent benchmark limitation on UEX recovery may be unsuitable in the future, depending on the state of the economy and gas prices. Rather, NorthStar recommends that the companies be required to provide Staff with reports containing information that will assist Staff in monitoring performance. The Commission finds that, while the 1.5 to 2.5 percent figure may be an appropriate reference point for Staff to use when reviewing the companies' UEX debt, NorthStar's recommended reporting requirements will provide a fuller picture of the companies' performance. Accordingly, at this time, the Commission will not set a certain benchmark, but finds that Staff, taking into consideration the metrics proposed by NorthStar, should develop reporting requirements to monitor utilities' UEX recovery performance. As part of these reporting requirements, Staff should categorize debt based on its source. Further, the Commission notes that it is our expectation that utilities attempt to collect debt in all categories including, but not limited to, receivership and bankruptcy.

<u>CHOICE Program Bad Debt (Audit, Part I)</u>

(19) In its executive summary, NorthStar notes that the LDCs are at risk for bad debt associated with customers participating in the CHOICE program (Audit at I-4).

(20) The Consumer Groups argue that the Commission should evaluate if there are differences in the level of bad debt for CHOICE program customers as compared to non-CHOICE customers and, if so, what actions can be taken to mitigate the difference (Consumer Groups Initial at 7, 35-36).

In response to the Consumer Groups' comment, the LDCs point out that, because customers must remain creditworthy to participate in the CHOICE program, bad debt arrearages for CHOICE customers will be proportionately less than non-CHOICE customers. Consequently, the LDCs conclude, the evaluation proposed by the Consumer Groups is unnecessary. (LDCs Reply at 20-21.)

(21) The Commission notes that, although NorthStar made a brief reference to CHOICE, evaluation of bad debt for CHOICE customers as compared to non-CHOICE customers was not among the metrics recommended by NorthStar. Consequently, the Consumer Groups' comments exceed the scope of the audit and the Commission declines to discuss or adopt them; therefore, the requests should be denied.

Dominion Third-Party Credit Scores (Audit, Part IV)

(22) In its evaluation of Dominion, NorthStar notes that Dominion does not currently perform credit scoring, but is in the process of implementing a credit-scoring system. Correspondingly, in its report, NorthStar recommends that Dominion incorporate third-party credit scores into its deposit assessment process in order to obtain more deposits from customers. (Audit at IV-10.)

(23) The Consumer Groups comment that the Commission should delay implementation of what it characterizes as NorthStar's recommendation of exclusive use of credit scores to determine a customer's creditworthiness. Further, the Consumer Groups comment that the Commission should ensure that the companies are not over-relying on deposits when addressing creditworthiness. The Consumer Groups assert that the companies should give their customers access to all options to establish creditworthiness and report to the Commission on a monthly basis in the Ohio statistics on consumer accounts receivable (OSCAR) reports the number of customers who are demonstrating financial responsibility using each method. (Consumer Groups Initial at 5, 17-18.)

The LDCs reply that the Consumer Groups mischaracterize NorthStar's recommendation regarding credit scores, which was addressed solely to Dominion and does not recommend credit scores as the "exclusive" means of determining creditworthiness (LDCs Reply at 8). Further, regarding the Consumer Groups' claim of over-reliance on deposits, the LDCs respond that, contrary to the Consumer Groups' comments, the large LDCs allow customers to avail themselves of all options available under Rule 4901:1-17-03, Ohio Administrative Code (O.A.C.) (LDCs Reply at 9).

(24) The Commission agrees that NorthStar does not recommend exclusive use of credit scores in determining customers' creditworthiness as characterized by the Consumer Groups, but merely recommends implementation of third-party credit scores into the deposit assessment process. As NorthStar makes no such recommendation regarding exclusive use of credit scores, the Commission finds that the Consumer Groups' concern is without merit. Further, we do not believe that NorthStar is advocating that the companies over rely on deposits. In fact, NorthStar recommends that Dominion incorporate third-party credit scores to obtain *more* deposits. Finally, the Commission notes that the companies are required by Rule 4901:1-17-03, O.A.C., to offer means other than credit scores by which customers may establish financial responsibility. Accordingly, the Commission finds that the recommendation by the Consumer Groups should be denied.

Vectren Midstream Deposits (Audit, Part IV)

(25) NorthStar reports that Vectren does not minimize risk by use of midstream deposits based on delinquency or the number of disconnection notices issued. NorthStar recommends that Vectren evaluate the cost-effectiveness of assessing midstream deposits for residential customers who have received two or more disconnection notices during the previous 12 months and commercial customers who have received one or more disconnection notices. (Audit at IV-15, 16.)

(26) The Consumer Groups comment that, if the Commission considers ordering the utilities to implement midstream deposits, the Commission should first require the companies to file cost-benefit studies for collection of midstream deposits (Consumer Groups Initial at 6, 19-20).

Vectren comments that it considered adding midstream deposits for residential and commercial customers, but decided to implement the auditor's recommendation for large commercial customers only. Vectren agrees with NorthStar's suggestion that regular delinquency in payments may be an indicator of increased risk of failure of a business. However, Vectren comments that, at the residential level, many customers struggle due to current economic conditions and, as such, a pattern of disconnection notices that does not culminate in actual disconnection may simply be an indicator of a customer that struggles to pay. Vectren opines that these customers will benefit more from discussions with the utility to reduce costs through conservation and education, payment arrangement assistance, and enrollment in energy assistance programs, rather than from imposition of a midstream deposit. (Vectren Initial at 4.)

The LDCs comment that Chapter 4901:1-17, O.A.C., permits the large LDCs to charge midstream deposits, and that it makes little sense to require large LDCs to perform cost-benefit studies prior to implementing a practice already permitted under the rules (LDCs Reply at 11).

(27) Initially, the Commission notes that NorthStar does not recommend collection of midstream deposits as discussed by the Consumer Groups, but instead recommends evaluation of the cost-effectiveness of assessment of midstream deposits as to Vectren.

The Commission notes that Rule 4901:1-17-04, O.A.C., has recently changed in that a deposit to reestablish service may not be requested until the customer is delinquent as defined by Rule 4901:1-18-04, O.A.C. The Commission finds that NorthStar's recommendation suggests midstream deposits to reduce bad debt expense, but only if programming costs to implement this system do not outweigh the benefit. The Commission notes that, as the LDCs comment, Chapter 4901:1-17, O.A.C., currently permits the large LDCs to charge midstream deposits without requiring a cost-benefit study. Any proposed changes to this rule should be discussed during the appropriate rulemaking proceeding. Consequently, the Commission declines to adopt NorthStar's or the Consumer Groups' recommendations at this time.

Vectren Disconnection Threshold (Audit, Part V)

(28) NorthStar observes that Vectren sends disconnection notices to residential customers with balances over $50, but that only customers with balances exceeding $100 are eligible to be scheduled for disconnection. NorthStar recommends that Vectren evaluate changing its disconnection notice threshold to

coincide with the threshold for actual disconnection and determine the effect on payment. (Audit at V-42, 45.)

(29) In response to NorthStar's recommendation, Vectren states that it has already changed the disconnection notice threshold to match the threshold for actual disconnection for residential customers during the non-winter months. However, Vectren comments that it does not believe this is a prudent practice during the winter months. Vectren states that it does not want to prevent customers from soliciting assistance from Vectren and other community action groups during the coldest time of the year. (Vectren Initial at 6.)

(30) The Commission agrees with NorthStar that Vectren should modify its current $50 disconnection notice threshold to $100 to coincide with the threshold for actual disconnections during the winter months in order to prevent customer confusion. Therefore, the audit report recommendation on this issue should be adopted and Vectren should work with Staff to implement this directive.

Disconnection Notices (Audit, Part V)

(31) NorthStar's report discusses terminations of service and, in doing so, briefly describes the notice requirements prior to disconnection under Rule 4901:1-13-11, O.A.C. (Audit at V-1, 2).

(32) The Consumer Groups comment that the Commission should order the companies to provide disconnection notices separately from the monthly billing statement (Consumer Groups Initial at 6, 26-27).

The LDCs respond that the Consumer Groups are attempting to raise issues that have already been decided by the Commission in *In the Matter of the Commission's Review of Chapters 4901:1-17 and 4901:1-18 and Rules 4901:1-5-07, 4901:1-10-22, 4901:1-13-11, 4901:1-15-17, 4901:1-21-14, and 4901:1-29-12 of the Ohio Administrative Code*, Case No. 08-723-AU-ORD, Finding and Order (December 17, 2008) (08-723) (LDCs Reply at 12-13).

(33) The Commission finds that the LDCs are correct, and that, in 08-723, the ability for companies to include the disconnection

notice on the bill was added. Consequently, the Commission declines to adopt the Consumer Groups' recommendation at this time and notes that the appropriate place for discussion of this matter is within the applicable rulemaking proceeding; therefore, the Consumer Groups' request should be denied.

Payment Plans (Audit, Part V)

(34) In its report, NorthStar summarizes the types of extended payment plans provided for in Chapter 4901:1-18, O.A.C. (Audit at V-3).

(35) According to the Consumer Groups, the Commission should order the companies to offer extended payment plans on terms agreeable to customers. Further, the Consumer Groups argue that the Commission should require the companies to disclose all available payment plans and to disclose the least-cost option to the customer. (Consumer Groups Initial at 6, 30-32.)

The LDCs reply that existing rules already provide flexibility in structuring payment plans, including Rule 4901:1-18-05, O.A.C. Additionally, the LDCs respond that the Consumer Groups' recommendation is unnecessary because the LDCs follow the Commission's rules by offering all of the payment plans listed in Rule 4901:1-18-05, O.A.C., and they also work with customers to lower their arrearages. (LDCs Reply at 14-15.)

(36) The Commission notes that the Consumer Groups' recommendations regarding extended payment plans and disclosure of the least-cost option were not made by NorthStar. Further, the appropriate place for such discussion is within a rulemaking proceeding addressing Chapter 4901:1-18, O.A.C. Finally, the Commission already requires the companies to disclose all available payment plans under Rules 4901:1-18-05 and 4901:1-18-06(A)(5)(a), O.A.C. Accordingly, the Commission finds that the recommendation by the Consumer Groups should be denied.

Outside Collection Agencies (Audit, Part VI)

(37) NorthStar finds that Vectren's primary OCA operates to reduce its UEX rider, but that use of only one primary OCA does not promote competition. Consequently, NorthStar recommends

the addition of a second, primary OCA for Vectren and encourages competition among the OCAs at each stage of collection through an appropriate performance and reward monitoring system. (Audit at VI-10, 11.)

(38) Vectren comments that, while it does not disagree with NorthStar's recommendation, it is contractually limited from implementing the recommendation at this time. Specifically, Vectren states that it has a five-year contract with its primary OCA that terminates in November 2011, and that it will consider implementing NorthStar's recommendation at that time. Vectren states that it has implemented performance metrics and holds monthly conference calls to review whether each OCA is meeting the performance metrics. Further, Vectren comments that it has initiated a settlement program to improve the collections performance with the existing primary OCA. (Vectren Initial at 7-8.)

The Consumer Groups reply to express concern that Vectren may have entered into a long-term agreement with an OCA that is potentially resulting in higher UEX than would otherwise occur. The Consumer Groups argue that Vectren should be required to respond to NorthStar's recommendation with a clear strategy and approach for how it intends to better manage OCA activities in the future. (Consumer Groups Reply at 13.)

(39) The Commission finds that, because Vectren's five-year contract with its primary OCA recently terminated in November 2011, Vectren should implement NorthStar's recommendation to add a second, primary OCA. However, the Commission finds that, if Vectren determines that it would not be beneficial to add a second, primary OCA, Vectren should notify Staff and provide sufficient support of its rationale. Accordingly, NorthStar's recommendation that Vectren consider a second OCA should be adopted to the extent set forth herein.

Meter Reading (Audit, Part VII)

(40) NorthStar discusses meter reading in its report and specifically cites to Rule 4901:1-13-04, O.A.C. Additionally, NorthStar notes that natural gas utilities are required to obtain an actual

meter read at least once every 12 months and file a meter reading plan with the Commission every three years. Finally, NorthStar calculates and reports the approximate number of meters that were not read within the required time frame for each of the LDCs. (Audit at VII-1.)

(41) The Consumer Groups comment that the Commission should require the companies to file annual meter reading plans because, they contend, the LDCs did not read approximately 9,924 meters within the required time frame (Consumer Groups Initial at 6, 34).

(42) The Commission finds that NorthStar did not recommend annual filing of meter reading plans. Meter reading plans are required to be submitted to Staff every three years pursuant to Rule 4901:1-13-04(G), O.A.C., and the Commission finds that any proposed changes to this rule should be discussed during the appropriate rulemaking proceeding. Accordingly, the Consumer Groups' recommendation should be denied.

Collections Cost Recovery Mechanism (Audit, Part VIII)

(43) In its report, NorthStar observes that, while the PIPP and UEX riders allow for the recovery of the bad debts themselves, most of the costs associated with collections activities are not included in the riders, but continue to be recovered through base rates. NorthStar points out that this situation provides a potential incentive for the companies to reduce their internal cost of collections and possibly reduce collections performance. (Audit at VIII-1.)

(44) Columbia argues that it would be beneficial to the customer base to include collections costs in the bad debt tracker instead of waiting until the next rate case to recover the costs. Columbia further comments that it is open to further discussion with Staff about implementing this change. (Columbia Initial at 2.)

The Consumer Groups respond that Columbia's recommendation is contrary to law and should be disregarded. Specifically, the Consumer Groups point to Section 4929.11, Revised Code, which provides that "[n]othing in the Revised Code prohibits, and the public utilities commission may allow, any automatic adjustment mechanism or device in a natural gas company's rates or charges for a regulated service or goods to fluctuate automatically in accordance with changes in a specified cost or costs." The Consumer Groups argue that the statute implies that Ohio law does not support auto recovery mechanisms for recovery of normal, everyday costs where there are few factors influencing fluctuations in costs between rate cases. (Consumer Groups Reply at 6.)

(45) The Commission takes note of NorthStar's observation that most of the costs associated with collections activities are not included in the riders, but are recovered through the base rates. The Commission finds that Staff should discuss NorthStar's observation, as well as any potential solutions, with the companies. Accordingly, pending further review by Staff, the Commission finds that, at this time, NorthStar's suggestion that additional costs associated with collections activities be recovered through riders should not be adopted.

Annual or Quarterly Reporting (Audit, Part VIII)

(46) According to NorthStar, the Commission should require the companies to file quarterly or annual reports providing information on their collections activities and effectiveness in order to assist Staff in monitoring performance (Audit at VIII-3).

(47) The Consumer Groups contend that the Commission should adopt NorthStar's recommendation concerning the companies' quarterly filing of reports with credit and collections information with the Commission (Consumer Groups Initial at 6, 32-33).

Dominion comments that it does not believe quarterly reporting should be required because it is not clear how this information would be useful. Further, Dominion argues that compliance costs for the LDCs would increase if reports were required to be issued quarterly. Additionally, Dominion points out that much of the information that would be contained in these reports is already provided to the Commission during the annual UEX and PIPP rider filings and in the reporting requirements of Chapters 4901:1-17 and 4901:1-18, O.A.C. (Dominion Initial at 13.) Vectren agrees with Dominion that the recommendation of quarterly reporting should not be adopted (Vectren Initial at 9).

The LDCs argue that they have recently completed extensive revisions to their customer information systems to comply with Chapters 4901:1-17 and 4901:1-18, O.A.C., which became effective in November 2010. The LDCs contend that any additional reporting changes should have been required in conjunction with those changes and that they should not be required to make further complex information technology changes at this time. (LDCs Reply at 10.)

(48) The Commission notes that the reporting requirements set forth in Chapters 4901:1-17 and 4901:1-18, O.A.C., already contain many of the reporting requirements recommended by NorthStar. Further, Staff will have the 1.5 to 2.5 percentage figure as a reference point in its reviews, as well as the additional reporting requirements as set forth in Finding (18) above. The Commission finds that, if further investigation of a company's credit and collections practices is needed, Staff may request the recommended reports be submitted during its investigation. Consequently, the Commission finds that NorthStar's recommendation for the filing of mandatory quarterly or annual reports is unnecessary and should not be adopted. Nonetheless, the Commission will be evaluating the prudency of uncollectible debt during annual rider reviews by considering the utilities' performance against the additional reporting requirements set forth in Finding (18) and, to the extent information is not available in the annual rider case, the utility is at risk that the Commission may find the utility's collection efforts were inadequate to recover all uncollectible debt claimed.

PIPP Adjustments (Audit, Part VIII)

(49) NorthStar notes that the utilities are required to prepare annual UEX rider reports and adjust rates, if they fluctuate by 10 percent or greater. However, NorthStar observes, there is no similar requirement for PIPP rider rates. NorthStar recommends the Commission require the companies to make annual PIPP filings and to adjust customers' rates, if the PIPP rates increase or decrease beyond a certain threshold. (Audit at VIII-2, 3.)

(50) Vectren responds to NorthStar's recommendation regarding annual PIPP adjustments by commenting that it does not currently file new PIPP rates annually, but does not object to doing so, provided the Commission establishes a threshold that would trigger an annual filing. Vectren specifies that ratepayers should not bear the expense of a *de minimus* adjustment to PIPP rates. (Vectren Initial at 9.)

(51) Initially, the Commission notes that Dominion currently has an annual PIPP filing requirement. The Commission finds that such an annual filing is appropriate and we believe that all companies with a PIPP rider should be required to make such an annual filing. Accordingly, NorthStar's recommendation that the companies file an annual PIPP status report should be adopted. Such report should include the level of PIPP recoveries to write off and the rate, if applicable. The report shall be filed at the same time the UEX annual reports are filed in May of each year. Furthermore, while the Commission agrees that *de minimus* adjustments to the PIPP rates should not be required, we believe that NorthStar's recommendation that annual PIPP adjustments be required if the PIPP rates increase or decrease beyond a certain threshold is appropriate and it should be adopted. To that end, the Commission finds that a substantial increase in PIPP rates, consisting of 10 percent or greater, or any decrease in PIPP rates, should trigger an annual rate adjustment and should be filed in a docket using case code GA-PIP. Accordingly, to the extent set forth herein, NorthStar's recommendation should be adopted.

Winter Reconnection Order (Audit, Part VIII)

(52) NorthStar's report discusses the WRO, observing that the WRO is available to all customers regardless of income level, that customers are required to pay a $175 fee in order to reinstate service or avoid disconnection, an amount that has remained unchanged since 1989, and that customers must enter into a payment arrangement in order to use the WRO (Audit at VIII-7). NorthStar recommends that the Commission limit the WRO to income-eligible customers only, or, at a minimum, implement a tiered-payment amount based on income level (Audit at VIII-9).

(53) Dominion and Vectren both comment that they support NorthStar's recommendation to restrict the WRO to low-income customers or, at the very least, develop a tiered-payment amount based on income level. Further, Dominion and Vectren suggest that the Commission should reevaluate the amount of the reconnection payment. (Dominion Initial at 15; Vectren Initial at 12.)

The Consumer Groups argue that the Commission should not change the eligibility criteria for the WRO as suggested by NorthStar, but rather, should ensure that the companies are complying with the order. The Consumer Groups further argue that the Commission should disallow recovery of any bad debt expense resulting from the companies' customers who were not placed on payment plans, which is required in order to use the WRO. (Consumer Groups Initial at 7, 43-44.)

In their reply, the LDCs express their support for NorthStar's recommendation to revise the criteria of the WRO. The LDCs argue that revision of the WRO eligibility criteria could drive down the single largest contributor to bad debt write-offs. Further, the LDCs contend that the current low-threshold deposit required for reconnection encourages customers to reestablish gas service for a minimal amount, fail to pay for service during the winter, incur large arrearages, disconnect service in the spring, and then repeat the process in the fall. (LDCs Reply at 23-24.)

(54) The Commission acknowledges NorthStar's finding that the WRO results in increased arrearages. However, the Commission finds that the Consumer Groups' suggestion that the companies be disallowed recovery of bad debt expense accumulated by customers not placed on payment plans exceeds the scope of NorthStar's discussion and recommendations. Further, if there is evidence that companies have failed to comply with the Commission's WRO, the Commission has other means available to address these issues. The Commission further notes that, in order to mitigate arrearages resulting from the WRO, in the most recently issued WRO in Case No. 11-4913-GE-UNC, the Commission provided for a reconnection procedure for Winter 2011-2012 that requires customers to pay up to $50 of any PIPP default over $175 or over the agreed-upon amount before they are allowed to

maintain or reenroll in the PIPP program. In conclusion, with respect to NorthStar's recommendation pertaining to the Commission's WRO provisions, we will not adopt this recommendation as part of our consideration of this case; however, we will take NorthStar's suggestion into consideration during our ongoing consideration of how to address the public interest issue of maintaining or reconnecting service to customers in need during the winter heating season.

Weather Moratoriums (Audit, Part VIII)

(55) NorthStar's report concludes that mandatory winter disconnection moratoriums have a severe negative effect on utilities' abilities to collect past due balances and, additionally, result in increased arrearages. NorthStar notes that the most effective collections tool available to the utilities is the ability to terminate services, which is hampered by moratoriums. (Audit at VIII-6.) Consequently, NorthStar recommends that the Commission consider eliminating mandatory winter moratoriums (Audit at VIII-9).

(56) Dominion and Vectren comment that they support this recommendation (Dominion Initial at 15; Vectren Initial at 12).

The Consumer Groups believe that the recommendations by Dominion and Vectren to eliminate the mandatory weather moratoriums are irresponsible, unsupported by the evidence, and devoid of compassion (Consumer Groups Reply at 13).

The Consumer Groups argue that the Commission should codify the temperature thresholds in the rules for weather-based moratoriums and suspend disconnections when the extended weather forecast projects sub-freezing temperatures over the subsequent five days (Consumer Groups Initial at 7, 45).

The LDCs respond that the Consumer Groups' recommendation should be rejected because, as NorthStar recognizes, the LDCs use discretion when disconnecting customers in the winter months. The LDCs contend that, were temperature thresholds codified, there would essentially be a winter moratorium spanning a six-month period for areas in northeast Ohio. (LDCs Reply at 24-25.)

(57) The Commission appreciates NorthStar's discussion of the weather moratoriums, as it is an issue that may impact the companies' abilities to collect; however, the Commission emphasizes that such moratoriums are issued only in the event of an emergency. Accordingly, the Commission finds that NorthStar's recommendation concerning weather moratoriums will be taken under advisement, but should not be adopted, at this time.

COMMENTS NOT RELATED TO NORTHSTAR'S AUDIT REPORT

(58) In addition to filing comments on topics addressed in NorthStar's report, the Consumer Groups commented on multiple subjects not discussed or recommended by NorthStar, including late payment fees, adjusted due dates, credit card and electronic payments, the best practices of small LDCs, conservation/weatherization forums, and shareholder-funded community assistance.

In their additional comments, the Consumer Groups suggest that the Commission should require the companies to adjust the level of the late payment fees to the extent that the implementation of midstream deposits mitigates the collections risk for the utility (Consumer Groups Initial at 6, 20). Additionally, the Consumer Groups contend that the Commission should require the companies to adjust due dates to help customers who have fixed incomes better manage their utility payments (Consumer Groups Initial at 6, 33). The Consumer Groups further argue that the Commission should evaluate the effect of the additional costs that customers incur to pay gas bills through credit cards and electronic payments to determine if these costs affect customer payment patterns (Consumer Groups Initial at 6, 34-35). Next, the Consumer Groups contend that the Commission should order a review of the credit and collections policies and practices of the smaller LDCs in Ohio and adopt the best practices for implementation by the larger LDCs in Ohio (Consumer Groups Initial at 7, 36-39). The Consumer Groups next comment that the Commission should initiate a forum with all stakeholders to discuss the possibility for initiating additional conservation and weatherization programs (Consumer Groups Initial at 7, 45-46). In their final comment, the Consumer Groups argue that the Commission should work to mitigate the effect of reductions in

Home Energy Assistance Program (HEAP) funding and the potential increase in write-offs by encouraging the companies to sponsor shareholder-funded community assistance programs (Consumer Groups Initial at 7, 46-47).

The Citizens Coalition filed additional reply comments acknowledging that it joins the comments filed through the Consumer Groups, but further comments that it believes NorthStar is using the utility companies' number of disconnections to judge the companies' credit and collections performance and contends that a disconnection should not be counted as an achievement (Coalition Reply at 1-2). Further, the Citizens Coalition comments that it does not believe the full impact of recent economic hardship is being taken into account by the companies' comments and NorthStar's report in this proceeding and that this is an improper time to make substantial changes to collections procedures and policies (Coalition Reply at 2). The Citizens Coalition also comments that it believes utility companies should become more customer friendly from the standpoint of formulating payment plans and that it does not want to see this case used as a venue for criticism of the PIPP program (Coalition Reply at 3). Finally, the Citizens Coalition comments that it believes Dominion is a good utility company that is concerned about its customers, but that it believes Dominion should simplify its billing statements and that Dominion and the other companies should consider ways in which community groups can help in the collections process (Coalition Reply at 4-5).

(59) The Commission emphasizes that the purpose of the order permitting comments was to allow interested persons to respond to the audit report filed by NorthStar. While the Commission supports the discussion and development of additional reasonable and cost-effective conservation programs, the Commission finds that these comments by the Consumer Groups and Citizens Coalition do not concern topics discussed in the audit report or recommendations by NorthStar. Consequently, these comments exceed the scope of the audit and the Commission declines to discuss or adopt them in this proceeding; therefore, the requests should be denied.

CONCLUSION

(60) In conclusion, the Commission reiterates that NorthStar makes recommendations for the LDCs that are categorized as requiring minimal, moderate, or significant incremental costs (Audit at I-6). At this time, the Commission believes that, with the LDCs' implementation of the minimal incremental-cost and moderate incremental-cost recommendations, and Staff's continued monitoring of the companies' credit and collections practices, a reduction in the UEX and PIPP riders could be achieved. Therefore, the Commission finds that the companies should implement NorthStar's minimal incremental-cost and moderate incremental-cost recommendations as set forth in Findings (9) through (15), except as otherwise directed in the findings above.

(61) Further, the Commission notes that NorthStar's audit report was very thorough and made recommendations in many areas that the Commission will consider in reviewing the practices of both the large LDCs and the small LDCs. However, the Commission will not review the practices of the small LDCs in this docket, but directs Staff to consider NorthStar's recommendations as to each individual small LDC.

(62) Additionally, the Commission notes that NorthStar makes no recommendation concerning future five-year reviews of the LDCs' collections policies and practices. However, the Commission directs Staff to continue monitoring the companies' collections policies and practices and to take appropriate action when necessary.

(63) Finally, the Commission notes that this Finding and Order contains many directives and the Commission directs that any information required by these directives should not be filed in this docket, but should be informally submitted to Staff for review, unless specified otherwise herein. Consequently, the Commission finds that the purpose of this docket has been fulfilled and that this docket shall be closed of record.

It is, therefore,

ORDERED, That Staff shall comply with the directives in Findings (18), (30), (45), (61), and (62). It is, further, ORDERED, That Vectren shall comply with the directives in Findings (30), (39), (51), and (60). It is, further,

ORDERED, That Dominion, Duke, and Columbia shall comply with the directives in Findings (51) and (60). It is, further,

ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That this case be closed as a matter of record. It is, further,

ORDERED, That a copy of this Finding and Order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Todd A. Snitchler

Todd A. Snitchler, Chairman

Paul A. Centolella

Paul A. Centolella

Steven D. Lesser

Andre T. Porter

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Betty McCauley

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Secretary