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

**Suburban Natural Gas Company  
Case Number 12-316-GA-UEx**

**Audit of the Uncollectible Expense Mechanisms  
for the period January 2009 through December 2011**

**August 30, 2012**

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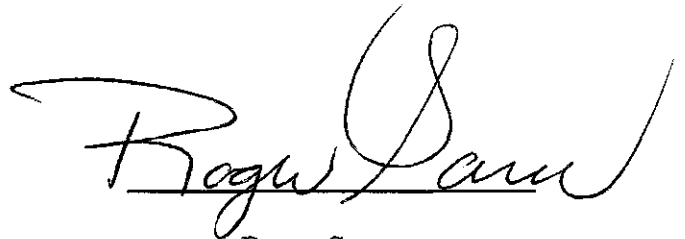
## Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of Suburban Natural Gas Company (Suburban or Company) Uncollectible Expense Rider (UEX) rates for January 1, 2009 through December 31, 2011. The Staff audited the material as set forth in the Commission Entry in Case No. 12-316-GA-UEx.

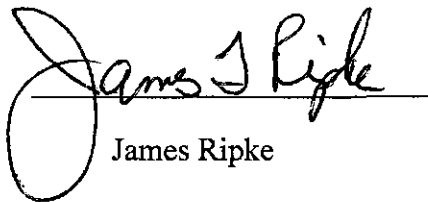
Our audit has revealed certain findings, as discussed in this audit report, which should be addressed in this proceeding. The Staff notes that at the time of preparing this report, unless otherwise noted, Suburban accurately calculated its UEX Rider Rates for the time period discussed in this report.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



Steve Puican  
Division Chief



Roger Sarver  
Gas Specialist



James Ripke  
Gas Specialist

## **Suburban Natural Gas Company**

### **Uncollectible Expense Rider**

In Case No. 07-689-GA-AIR, The Suburban Natural Gas Company (Suburban) filed an Application to Increase Rates (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 March 19, 2008, the Commission issued an Opinion and Order authorizing Suburban to establish and implement an initial UEX Rider of \$0.07012727 per MCF, which became effective on April 17, 2008.

Since that time the Company has filed annual updates to adjust the rider rate and the Commission has authorized such subsequent revisions. The history of Suburban's UEX Rider is as follows:

April 2008 - July 2009	\$0.07012727 per Mcf
August 2009 - October 2011	\$0.08641518 per Mcf
November 2011 - December 2011	\$0.05699811 per Mcf

In this audit, Staff began with the verification of the amounts filed by Suburban in its Annual Balance Reconciliation (ABR) calculations for the audit period. The ABRs were filed as attachments to the Company's UEX applications in Case No. 11-316-GA-UEx and 12-316-GA-UEx. Staff verified the accuracy of Suburban's accounts and calculations used in their UEX applications filed during the audit period.

Staff continued its audit with a review of Suburban's collection policies. Per internal collection practices, if a customer fails to pay their bill within 14 days after the date of mailing, a letter is sent to the customer advising them that if they do not make payment arrangements within 30 days, their account is liable to be turned over to an Outside Collection Agency (OCA). If no payment arrangements are made within 30 days, the account is submitted to the OCA. Any monies recovered by the OCA are credited to the customer's arrearages. Suburban writes off non-pay accounts in December of each year. Accounts over 365 days past due are written off and considered as part of the UEX Rider.

Next, Staff continued its audit with the examination of Suburban's 2009 - 2011 Bad Debt Account Listing which covered the period from January 1, 2009 through December, 2011. For that period of time, 720 accounts were marked as "Bad Debt" for a total write off of \$292,760.12. The totals coincide with the ABR's filed in Suburban's UEX applications listed above.

In Case No. 10-316-GA-UEx, Staff recommended in its report that Suburban not include

Percentage of Income Payment (PIPP) accounts in its UEX Rider beginning in 2009. Suburban agreed to Staff's recommendation in the Stipulation. Suburban identified and transferred 23 accounts written off in 2009 totaling \$28,577.27 from the UEX Rider to the Deferred PIPP rider in June, 2011.

Next, Staff randomly selected several customers from the Bad Debt Account Listing and requested their complete billing histories. Customers included in the Bad Debt Account Listing are those who have not made a payment on their account for at least one year. Omitted from the Bad Debt Account Listing are customers located in the municipalities of Deshler, McComb, Hoytville, Hamler, Holgate, and Malinta per their tariff. For each customer selected, Staff verified that monthly charges and payments were properly applied to the account balance.

Staff then verified that for each account examined, the Bad Debt Account Listing accurately reflected the amount of the final payment made, the date when the final payment was made, and the final balance included for write-off.

Staff conducted a detailed examination of Suburban's Recoveries - Other account to verify collection recoveries from Bad Debt Write Offs are properly recorded. The Recoveries - Other account takes into consideration payments received from customers that have been written off and have made payment directly to Suburban or to the OCA. The Recoveries - Other account is part of the calculations in determining the ABR balance. The examination confirmed Suburban's accounting procedures in calculating this account.

Staff compared Suburban's reported UEX Sales Volumes with their reported GCR Sales Volumes. Suburban's UEX Sales Volumes did not include the Deshler Line and Bakery Feed, and also did not include customers within the aforementioned municipalities per their tariff. Minor changes in the reported UEX Sales Volumes were made. See Attachment 1.

Staff then calculated Suburban's UEX Sales Volumes with their approved UEX rider rate for each month of the audit period. Staff determined that although Suburban properly calculated the UEX Sales Volumes with the corresponding monthly UEX rate, a \$10.00 difference between Staff's and Suburban's calculations was due to rounding.

In the last audit report, Staff's investigation revealed that Suburban inadvertently included the Gross Receipts Tax generated by billing of the UEX Rider as part of total recoveries. Staff confirmed that Suburban did not include the Gross Receipt Tax to the UEX rider during this audit period.

Fees paid to the OCA for collection recovery were expensed through Suburban's base rate.

## **Conclusion**

Staff's audit of Suburban's UEX account determined that the Company appropriately applied the UEX rider rate with the Annual Sales Volumes to their Recoveries-Bad Debt Rider account. Staff determined the Recoveries-Other account was correctly reported in their UEX applications. Staff confirmed that payments made to the OCA are paid through its base rate, and the Gross Receipts Tax was not billed through the UEX Rider.

Staff calculated the 2011 Ending Balance as (\$124, 512), a difference of \$10.00 from Suburban's reported 2011 Ending Balance amount of (\$124,522). Attachment 2 of this Staff Report shows Staff Calculations of Suburban's UEX ABR.

## **Recommendations**

Staff recommends that Suburban report the January, 2012 Beginning Balance on its UEX account as (\$124, 512).

ATTACHMENT 1

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Suburban Natural Gas

Case No. 12-316-GA-UEx

REPORTED UEX SALES VOLUMES AND REPORTED GCR SALES VOLUMES COMPARISON

2009

	January	February	March	April	May	June	July	August	September	October	November	December
UEx Sales Volumes	302336	345545	229938	152208	90929	49168	36252	38651	32379	47037	141957	185510
GCR Sales Volumes	346083	386360	259535	172042	98851	52597	38723	40908	34611	52245	143054	187478
Difference	43748	40815	29597	19834	7922	3429	2471	2257	2232	5208	1097	1968
Bakery Feed												
Deshler Line	43747	40816	29597	19834	7922	3429	2471	2257	2232	5208	1097	1968
Total	43747	40816	29597	19834	7922	3429	2471	2257	2232	5208	1097	1968
UEx Sales Volumes												
Plus Bakery & Deshler	346083	386360	259535	172042	98851	52597	38723	40908	34611	52245	143054	187478
GCR Sales Volumes	346083	386360	259535	172042	98851	52597	38723	40908	34611	52245	143054	187478
Revised Difference	0	0	0	0	-1	0	0	0	0	0	0	0

[illegible]











The Public Utilities Commission of Ohio  
John R. Kasich, Governor  
Todd A. Snitchler, Chairman

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