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

Waterville Gas and Oil Company

**Audit of the Uncollectible Expense Mechanisms
for the period January 2011 through December 2012
Case Number 13-317-GA-UEX**

March 4, 2013

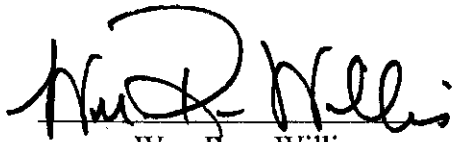
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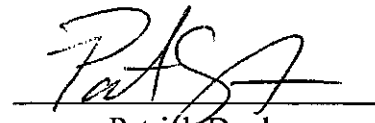
Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of the Waterville Gas and Oil Company (Waterville or Company) Uncollectible Expense (UEX) rider rates for January 2011 through December 2012. The Staff audited the material as set forth in the Commission Entry in Case No. 13-317-GA-UEX.

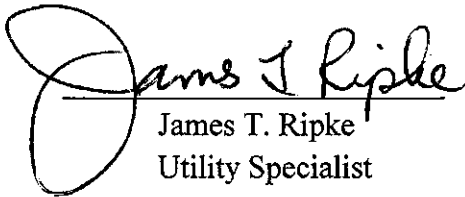
Our audits have revealed certain findings, as discussed in this audit report, which should be addressed in this proceeding. The Staff notes that at the time of preparing this report, unless otherwise noted, Waterville accurately calculated its UEX rider rates for the time period discussed in this report.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



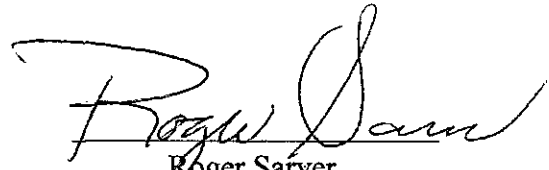
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Waterville Gas and Oil Company Uncollectible Expense Rider

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 allowed for recovery of actual bad/uncollectible debt through a rider, rather than through base rates.

On October 11, 2007, in Case No. 07-194-GA-AIR, Waterville entered into a stipulation to resolve issues related to its rate case. As a result of the stipulation, Waterville established its initial uncollectible expense rider (UEX) similar to those approved in Case No. 03-1127-GA-UNC. On November 20, 2007, the Commission approved the stipulation and the uncollectible expense mechanism which was set at three cents 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 Waterville to file annual reports detailing their bad debt accounts and calculations regarding the recovery of bad debt accounts.

Waterville reported that 19 customer accounts totaling \$2,548.47 was written-off as bad debt during the audit period. Waterville reported that \$883.91 was recovered from current and previously written-off accounts during the audit period.

Staff began the audit by reviewing Waterville's collection practices and procedures (revised November 10, 2010) and found that sufficient attempts were made to collect on past due accounts. Bad debt accounts are written-off 60 days following a customer's last payment. The Company immediately writes-off accounts upon official notification of a bankruptcy filing by a customer.

Waterville does not employ an outside collection agency to attempt to recover bad debts. Attempts by Waterville to employ an outside collection agency to seek recovery of the accounts have been unsuccessful due to the small amount annually written-off.

Waterville continues to send monthly statements to the customer of record of a bad debt account for at least two months following write-off. No additional charges are added to the bill; only the amount written-off is stated. If a customer does not respond to the Company's repeated attempts for collection, Waterville files a claim seeking judgment against the customer in small claims court. Once judgment is granted, Waterville notifies collection bureaus of the judgment.

Next, Staff continued its UEX audit with the verification of the Company's write-offs as shown on its Annual Balance Reconciliations (ABRs) for 2011 and 2012. 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. All amounts written-off were verified by Staff through this process.

Staff then reviewed the recoveries collected from customers during the audit period. Staff was able to confirm the amounts collected through Company records and accurately reported on the ABR.

Waterville's UEX Rider rate changed two times during the audit period. From January, 2011 through July, 2011, the rider rate was \$(0.02) per Mcf. The applicable UEX Rider rate for the period of August, 2011 through July, 2012 was \$(0.0052). Waterville's current UEX Rider rate is set at \$0.0080 per Mcf, effective August, 2012. All rate changes were approved based on Staff's recommendation and Commission order.

Due to the rate changes taking effect in August of each year, Staff reviewed the amount of recoveries for July and August (2011 and 2012) to insure the rate was accurately applied. Staff determined Waterville accurately applied the amount of sales volumes with the applicable Commission approved UEX rider rate.

Staff also reviewed customer bills for the July and August time periods. Staff determined that Waterville applied the appropriate UEX Rider rates to customer accounts.

Per Commission Order signed on December 13, 2003 in Case No. 03-1127-GA-UNC, local distribution companies such as Waterville are to "annually file with the Commission a report that identifies amounts recovered, deferred, and, as applicable, amortized pursuant to the (UEX) mechanism." Waterville complied with this Order during the audit period.

Attachments 1 and 2 of this report detail Staff's calculations in determining the Company's December, 2012 ending balance.

Findings

All accounts written-off as bad debt were verified by Staff. All recoveries collected from bad debt accounts were verified by Staff.

Waterville accurately applied the appropriate UEX Rider rate to customer bills throughout the audit period.

Waterville accurately applied the appropriate UEX Rider rate to monthly sales volumes throughout the audit period.

Recommendations

Staff has no recommendations at this time.

ATTACHMENT 1

Waterville Gas & Oil Company												
Uncollectible Accounts Expense Rider Reconciliation												
January 1, 2011 Through December 31, 2011												
2011												
Staff Calculations	January	February	March	April	May	June	July	August	September	October	November	December
Balance - Beginning of Month	\$ (8,348.62)	\$ (6,844.68)	\$ (5,407.85)	\$ (4,252.26)	\$ (3,335.80)	\$ (2,967.06)	\$ (2,263.29)	\$ (1,892.18)	\$ (1,853.03)	\$ (1,806.77)	\$ (1,723.55)	\$ (1,534.38)
Bad Debts Written Off	\$ 64.33	\$ 64.22	\$ 52.39	\$ -	\$ 16.62	\$ 473.72	\$ 250.91	\$ -	\$ -	\$ -	\$ -	\$ -
Recovery - Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recovery - Bad Debt Rider (a)	\$ (1,460.16)	\$ (1,389.18)	\$ (1,116.26)	\$ (926.72)	\$ (360.64)	\$ (237.12)	\$ (142.44)	\$ (44.21)	\$ (51.21)	\$ (87.99)	\$ (193.58)	\$ (279.58)
Recovery - Other (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16.62	\$ -	\$ -	\$ -	\$ -	\$ 29.09
Incremental Bad Debt (2)-[(3)+(4)+(5)]	\$ 1,524.49	\$ 1,453.40	\$ 1,168.65	\$ 926.72	\$ 377.26	\$ 710.84	\$ 376.73	\$ 44.21	\$ 51.21	\$ 87.99	\$ 193.58	\$ 250.49
Balance Subtotal (1)+(6)	\$ (6,824.13)	\$ (5,391.28)	\$ (4,239.20)	\$ (3,325.54)	\$ (2,958.54)	\$ (2,256.22)	\$ (1,886.56)	\$ (1,847.97)	\$ (1,801.82)	\$ (1,718.78)	\$ (1,529.97)	\$ (1,283.89)
Carrying Charges [(1)+(7)]/2x(d)	\$ (20.55)	\$ (16.57)	\$ (13.06)	\$ (10.26)	\$ (8.52)	\$ (7.07)	\$ (5.62)	\$ (5.06)	\$ (4.95)	\$ (4.77)	\$ (4.41)	\$ (3.82)
Balance - End of Month (7)+(8)	\$ (6,844.68)	\$ (5,407.85)	\$ (4,252.26)	\$ (3,335.80)	\$ (2,967.06)	\$ (2,263.29)	\$ (1,892.18)	\$ (1,853.03)	\$ (1,806.77)	\$ (1,723.55)	\$ (1,534.38)	\$ (1,287.71)
Calculated: actual consumption times authorized rider rate												
Consists of customer payments, net-collection agency revenue, and other collections												
Net monthly carrying charge rate (e)	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%
Annual CC rate (Staff calc)	3.2500%	3.2500%	3.2500%	3.2500%	3.2500%	3.2500%	3.2500%	3.2500%	3.2500%	3.2500%	3.2500%	3.2500%
Sales Volumes	73,008	69,459	55,813	46,336	18,032	11,856	7,122	8,502	9,849	16,921	37,227	53,765
Base Rate of Recovery (Staff calc)												
Rider Rate of Recovery	(\$0.020)	(\$0.020)	(\$0.020)	(\$0.020)	(\$0.020)	(\$0.020)	(\$0.020)	(\$0.0052)	(\$0.0052)	(\$0.0052)	(\$0.0052)	(\$0.0052)

ATTACHMENT 2

Waterville Gas & Oil Company											
Uncollectible Accounts Expense Rider Reconciliation											
January 1, 2012 Through December 31, 2012											
Staff Calculations	2012										
	January	February	March	April	May	June	July	August	September	October	November December
Balance - Beginning of Month	\$ (1,287.71)	\$ (947.75)	\$ (645.66)	\$ (85.87)	\$ 891.58	\$ 892.07	\$ 1,108.49	\$ 667.80	\$ 564.60	\$ 519.48	\$ 379.83 \$ 18.37
Bad Debts Written Off	\$ -	\$ -	\$ 352.25	\$ 838.20	\$ -	\$ 435.83	\$ -	\$ -	\$ -	\$ -	\$ -
Recovery - Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recovery - Bad Debt Rider (a)	\$ (342.98)	\$ (304.24)	\$ (208.53)	\$ (138.16)	\$ (74.59)	\$ (56.88)	\$ (39.60)	\$ 74.91	\$ 76.63	\$ 140.87	\$ 362.00 \$ 408.80
Recovery - Other (b)	\$ -	\$ -	\$ -	\$ -	\$ 76.51	\$ 279.00	\$ 482.69	\$ -	\$ -	\$ -	\$ -
Incremental Bad Debt (2)-[(3)+(4)+(-5)]	\$ 342.98	\$ 304.27	\$ 560.78	\$ 976.36	\$ (1.92)	\$ 213.71	\$ (443.09)	\$ (74.91)	\$ (76.63)	\$ (140.87)	\$ (362.00) \$ (408.80)
Balance Subtotal (1)+(6)	\$ (944.73)	\$ (643.51)	\$ (84.88)	\$ 890.49	\$ 889.66	\$ 1,105.78	\$ 665.40	\$ 592.89	\$ 517.97	\$ 378.61	\$ 17.83 \$ (390.43)
Carrying Charges (((1)+(7))/(2)x(d))	\$ (3.02)	\$ (2.15)	\$ (0.99)	\$ 1.09	\$ 2.41	\$ 2.71	\$ 2.40	\$ 1.71	\$ 1.51	\$ 1.22	\$ 0.54 \$ (0.50)
Balance - End of Month (7)+(8)	\$ (947.75)	\$ (645.66)	\$ (85.87)	\$ 891.58	\$ 892.07	\$ 1,108.49	\$ 667.80	\$ 594.60	\$ 519.48	\$ 379.83	\$ 18.37 \$ (390.93)
Calculated: actual consumption times authorized rider rate											
Consists of customer payments, net-collection agency revenue, and other collections											
Net monthly carrying charge rate (e)	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%
Annual CC rate (Staff calc)	3.2500%	3.2500%	3.2500%	3.2500%	3.2500%	3.2500%	3.2500%	3.2500%	3.2500%	3.2500%	3.2500%
Sales Volumes	65,958	58,507	40,102	26,569	14,344	10,938	7,615	9,364	9,579	17,609	45,250 51,100
Base Rate of Recovery (Staff calc)											
Rider Rate of Recovery	\$ (0.0052)	\$ (0.0052)	\$ (0.0052)	\$ (0.0052)	\$ (0.0052)	\$ (0.0052)	\$ (0.0052)	\$ 0.0080	\$ 0.0080	\$ 0.0080	\$ 0.0080 \$ 0.0080

The Public Utilities Commission of Ohio
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