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

Glenwood Energy of Oxford, Inc.

Audit of the Uncollectible Expense Mechanisms
for the period January 2011 through December 2012
Case Number 13-310-GA-UEx

June 07, 2013

Ohio | **Public Utilities
Commission**

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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 Glenwood Energy of Oxford, Inc. (Glenwood) 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. 13-310-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, Glenwood 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.

A handwritten signature in black ink, appearing to read "Wm. Ross Willis", written over a horizontal line.

Wm. Ross Willis
Chief, Rates Division
Public Utilities Commission of Ohio

Glenwood Energy of Oxford, Inc.

Uncollectible Expense Rider

Background

On August 31, 2007, Glenwood Energy of Oxford, Inc. (Glenwood or Company), the City of Oxford and the Staff of the Public Utilities Commission of Ohio filed a Joint Stipulation and Recommendation to resolve all of the issues in Case Nos. 06-350-GA-CMR and 06-521-GA-UNC. On September 19, 2007, the Commission approved the joint stipulation.

As part of the joint stipulation, Glenwood did not implement an uncollectible expense (UEX) rider, but could opt to do so, pursuant to the terms of the Commission Opinion and Order in Case No. 03-1127-GA-UNC. The parties to the joint stipulation acknowledged that the general service base rate (base rate) proposed by Glenwood implicitly included an allowance for uncollectible expense. A subsequent application to establish a UEX rider, Glenwood was to calculate its initial uncollectible expense and reduce its base rate by an equal amount. On May 29, 2009, Glenwood filed an application to establish its first uncollectible expense rider in Case No. 09-439-GA-UEX. The mechanism approved allows for recovery of actual bad or uncollectible debt through a rider, rather than through base rates.

On September 30, 2009, the Commission approved Glenwood's initial UEX rider at \$0.08 per MCF. Glenwood later received Commission approval to increase its UEX rider rate to \$0.26 per MCF in Case No. 10-899-GA-UEX.

On May 26, 2011, Glenwood submitted its UEX balance reconciliation statement in Case No. 11-310-GA-UEX (11-310) for calendar year 2010. Staff made several adjustments to Glenwood's bad debt write-off amounts to properly reflect current accounting procedures. The adjustments did not affect the rate of the UEX rider but did adjust Glenwood's 2010 ending bad debt write-off balance to \$102,911.75. Staff further recommended that the 2010 ending balance of \$102,911.75 be the starting point for calendar year 2011 and incorporate this amount when calculating future UEX rider costs.

Findings

The UEX balance reconciliation statement submitted by Glenwood prior to the audit shows the monetary amounts written off as bad debt or uncollectible and the amounts recovered through calendar year 2012. The statement also included carrying charges and gas sales volumes necessary to calculate the amount of the UEX rider.

Staff performed an audit of Glenwood's bad debt write-off accounts and bad debt recoveries for the calendar years 2011 and 2012. Staff verified the monthly bad debt write-offs by examining

both the general ledger and the post-transaction general reports. Staff compared these records with the amount of monthly transfers and quarterly write-off balances. Furthermore, Staff traced the bad debt write-off and recovery amounts from the company records to individual customer account balances.

Staff then selected a random sample of customer billing and payment histories to insure the integrity of the bad debt write-off and recovery balances. This random sample was later increased to all of Glenwood's 2011 uncollectible accounts because during this time period Glenwood went through a software transition and made changes to its penalty billing percentages and procedure. Penalty billing prior to June 2011 assessed a 5% outstanding balance fee while penalty billing post June 2011 assessed a 1.5% penalty of the outstanding balance.

Through this process, Staff was able to verify that for the most part, bad debt accounts were written off in an appropriate time frame and in accordance to Glenwood's "Bad Debt Policy and Procedures" (120 days after the last dated payment). Staff also verified that subsequent payments made by customers were credited to the customers' balances and duly reported on the bad debt recovery ledger. Upon further review of the 2011 uncollectible expense accounts, Staff determined that while most accounts were written-off correctly, this process could be improved to ensure that good standing customers are not bearing added or excessive costs brought on by slow or non-paying customers. Staff made an adjustment to remove outstanding penalties associated with past due balances greater than 120 days, unless winter disconnection rules are in effect. This adjustment of \$1,932.47 was included in December 2012 Recovery-Other (Attachment 2). It is the responsibility of the Company to follow its bad debt policy and procedures. Furthermore, customers who receive assisted funding should be clearly designated in Glenwood's billing system to avoid any potential undue penalties.

During the investigation, Staff also determined that delinquent accounts were inactivated, and then moved to a bad debit transfer account prior to ultimately being recorded in the UEX rider. This added step not only slows down the Company's recovery time, but also makes it difficult for Staff to audit and track the customer's accounts being written off.

While Staff was verifying the Recovery-Other balances contained in the Company's rider, Staff determined that little value was being derived from the online collection agency. Glenwood uses a collection agency named Online Collections that is based in Winterville, North Carolina. It charges a monthly service fee of \$30.00 and a commission of 35% of the recovered balance once the account has been turned over to it. While these fees are fairly standard within the collection industry, oftentimes customers will pay off their outstanding balance with Glenwood because the customer wants their service restored. Additionally, few accounts are actually being recovered. Only 3.7% of all uncollectible expenses are being recovered and nearly half or 1.5% of those recoveries occurs at Glenwood. During the 24 month audit period a total of 10 customer balances were recovered. Once the monthly service fees and the commission expenses are deducted, few recovered dollars flow back into the rider.

Recommendations

Staff recommends Glenwood make several changes to its UEX process in order to streamline and avoid unnecessary costs.

First, Glenwood should remove the transfer process. Once a customer's account has been inactivated and the customer has been disconnected, move the entire balance directly to bad debt on a monthly basis. This will eliminate lag in collections and enable a more efficient process to track the individual customer account being written off.

Next, Staff recommends Glenwood strictly adhere to its collection policies and procedures. If a customer does not make a payment for 120 days, apply the deposit, disconnect the line and transfer the customer to bad debt.

While Glenwood has a focus on individual customer service, the company should avoid making non-payment exceptions from individual customers. If a delinquent customer makes a late partial payment, then any partial payment amount should flow through the recovery-other section of the UEX rider.

Moreover, Staff recommends that customers who receive assisted funding be clearly designated within the billing system to avoid potential erroneous billings.

Lastly, Staff asks Glenwood to monitor and assess the value of the online collection agency. Collections could be handled by Glenwood internally and possibly yield better results at a lower cost.

While it may appear as though Staff is making numerous recommendations to Glenwood's UEX rider, all of Staff's recommendations are designed to streamline and improve Glenwood's reporting process. The recommendations contained in this report are minor in terms of material dollar value.

Staff recommends that the 2012 ending balance of \$11,765.05, found in Attachment 2, be the beginning balance for Glenwood's 2013 UEX rider.

Glenwood Energy of Oxford
Uncollectible Accounts Expense Rider 2011
Attachment 1

	January	February	March	April	May	June	July	August	September	October	November	December
(1) Balance - Beginning of Month	102,911.75	82,812.73	65,226.90	60,625.22	53,415.17	49,259.97	62,982.73	61,844.37	60,101.65	73,416.14	68,611.80	59,563.73
(2) Bad Debts Written Off	0.00	0.00	9,251.55	0.00	0.00	15,454.94	0.00	0.00	15,312.20	0.00	0.00	22,038.42
(3) Recovery - Bad Debt Rider (a)	20,218.38	17,953.00	14,353.30	7,252.18	4,268.68	2,181.40	1,627.08	2,228.20	2,526.42	5,364.84	9,556.82	13,690.30
(4) Recovery - Other (b)	604.39	215.80	0.00	413.81	300.00	0.00	7.52	0.00	0.00	0.00	0.00	0.00
(5) Incremental Bad Debt [(2)-[(3)+(4)]]	(20,822.77)	(18,168.80)	(5,101.75)	(7,665.99)	(4,568.68)	13,273.54	(1,634.60)	(2,228.20)	12,785.78	(5,364.84)	(9,556.82)	9,348.12
(6) Balance Subtotal (1)+(5)	82,088.98	64,643.93	60,125.15	52,959.23	48,846.49	62,533.51	61,348.13	59,616.17	72,887.43	68,051.30	59,054.98	68,911.85
(7) Carrying Charges {[(1)+(6)]/2}*c)+(d)	723.75	582.96	500.07	455.94	413.48	449.23	496.24	485.48	528.71	560.50	508.75	511.78
(8) Balance - End of Month (7)+(8)	82,812.73	65,226.90	60,625.22	53,415.17	49,259.97	62,982.73	61,844.37	60,101.65	73,416.14	68,611.80	59,563.73	69,423.64
(a) Calculated : actual consumption times authorized rider rate												
(b) Consists of customer payments, net-collection agency revenue, and other collections												
(c) Net monthly carrying charge rate	0.7500%	0.7500%	0.7500%	0.7500%	0.7500%	0.7500%	0.7500%	0.7500%	0.7500%	0.7500%	0.7500%	0.7500%
(d) Outside Collection Service Fees	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00
Annual C.C. rate (Staff calc)	9.0000%	9.0000%	9.0000%	9.0000%	9.0000%	9.0000%	9.0000%	9.0000%	9.0000%	9.0000%	9.0000%	9.0000%
Sales Volumes	77,763	69,050	55,205	27,893	16,418	8,390	6,258	8,570	9,717	20,634	36,757	52,655
Rider Rate of Recovery	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26
	Actual Volumes Per Staff											

Glenwood Energy of Oxford
Uncollectible Accounts Expense Rider 2012

Attachment 2

	January	February	March	April	May	June	July	August	September	October	November	December
(1) Balance - Beginning of Month	69,423.64	49,845.94	34,305.25	30,697.32	25,410.26	22,599.62	29,573.71	28,439.74	26,232.36	43,515.84	37,628.32	24,071.46
(2) Bad Debts Written Off	0.00	0.00	3,640.09	0.00	0.00	9,348.51	0.00	0.00	19,635.33	0.00	0.00	3,241.50
(3) Recovery - Bad Debt Rider (a)	19,782.62	15,884.96	7,520.76	5,526.56	3,019.90	2,599.22	1,380.60	2,041.52	2,411.76	5,175.30	12,122.24	13,598.78
(4) Recovery - Other (b)	270.56	0.00	0.00	0.00	0.00	0.00	0.00	400.00	230.56	1,045.26	1,695.02	2,112.9
(5) Incremental Bad Debt (2)-[(3)+(4)]	(20,053.18)	(15,884.96)	(3,880.67)	(5,526.56)	(3,019.90)	6,749.29	(1,380.60)	(2,441.52)	16,993.01	(6,220.56)	(13,817.26)	(12,470.18)
(6) Balance Subtotal (1)+(5)	49,370.46	33,960.98	30,424.58	25,170.76	22,390.36	29,348.91	28,193.11	25,998.22	43,225.37	37,295.28	23,811.06	11,601.28
(7) Carrying Charges {[(1)+(6)]/2}x(C)+(d)	475.48	344.28	272.74	239.51	209.25	224.81	246.63	234.14	290.47	333.04	260.40	163.77
(8) Balance - End of Month (7)+(8)	49,845.94	34,305.25	30,697.32	25,410.26	22,599.62	29,573.71	28,439.74	26,232.36	43,515.84	37,628.32	24,071.46	11,765.05

(a) Calculated: actual consumption times authorized rider rate
(b) Consists of customer payments, net-collection agency revenue, and other collections

(c) Net monthly carrying charge rate 0.7500% 0.7500% 0.7500% 0.7500% 0.7500% 0.7500% 0.7500% 0.7500% 0.7500% 0.7500% 0.7500% 0.7500%

(d) Outside Collection Service Fees \$30.00 \$30.00 \$30.00 \$30.00 \$30.00 \$30.00 \$30.00 \$30.00 \$30.00 \$30.00 \$30.00 \$30.00 \$30.00

Annual CC rate (Staff calc)	9.00000%	9.00000%	9.00000%	9.00000%	9.00000%	9.00000%	9.00000%	9.00000%	9.00000%	9.00000%	9.00000%	9.00000%
Sales Volumes	76,087	61,096	28,926	21,256	11,615	9,997	5,310	7,852	9,276	19,905	46,624	52,303
Rider Rate of Recovery	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26

(e) Over-Collection Applied to Dec 2012 Recovery-other

\$ 1,932.47

Actual Volumes per Staff