

Ohio

**Public Utilities
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September 6, 2013

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Commissioners

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

RE: *In the Matter of the Application of the Eastern Natural Gas Company and Pike Natural Gas Company for Approval of an Adjustment to the Uncollectible Expense Rider Rate.*

Enclosed please find the Staff Report regarding the Eastern Natural Gas Company and Pike Natural Gas Company application to adjust the Uncollectible Expense Rider in Case Nos. 13-307-GA-UEX and 13-314-GA-UEX.

Respectfully submitted,



William Ross Willis
Chief, Rates Division
Public Utilities Commission of Ohio

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A Report by the Staff of the
Public Utility Commission of Ohio

Eastern Natural Gas Company
13-307-GA-UEX

Pike Natural Gas Company
13-314-GA-UEX

Audit of the Uncollectible Expense Mechanisms
For the Periods
January 2011 through December 2012

September 6, 2013

**Eastern Natural Gas Company
Pike Natural Gas Company
Uncollectible Expense Rider Audits**

This was Staff's fourth audit of Eastern Natural Gas Company (Eastern) and Pike Natural Gas Company (Pike) (or collectively Companies) Uncollectible Expense Rider (UEX). The Companies started their deferral of uncollectible expenses in 2004 with Commission approval in Case Nos. 04-1619-GA-UEX and 04-1339-GA-UEX. Staff's prior audits captured the years 2004 through 2006 in Case Nos. 07-512-GA-UEX and 07-513-GA-UEX, followed by audits of the 2007 and 2008 calendar years in Case Nos. 09-367-GA-UEX and 09-368-GA-UEX, and audits of the 2009 and 2010 calendar years in Case Nos. 11-307-GA-UEX and 11-314-GA-UEX. In this audit Staff examined calendar years 2011 and 2012.

Staff began its audit with the verification of the Companies' monthly "Bad Debt Written Off" (monthly write-offs) as filed by Eastern in Case Nos. 12-307-GA-UEX and 13-307-GA-UEX and by Pike in Case Nos. 12-314-GA-UEX and 13-314-GA-UEX. These monthly write-offs were traced to their source documents - Account Write-off Assessment Journals (AWAJ). These AWAJ are run the first week of each month and contain customer account balances that have remained unpaid for more than 60 days. The AWAJ has an account titled "Adjustment to Write-off" (AWO) which nets out increases (customer account write-offs) against decreases (payments received from collection agencies and customers) on a monthly basis to arrive at the monthly write-off amount. Staff compared the AWO monthly write-off amount to the write-offs filed by the Companies in the above case numbers and found no differences.

Staff's next step was to randomly select customers from each year (2011 and 2012) whose accounts had been placed in the AWAJ. Staff requested the customer's payment history for the year(s) in which their account appeared in the AWAJ. Staff traced the customer's payment

history to the AWAJ to ensure that the customer's account balance was properly recorded in the AWAJ. If subsequent payments were made by the customer, Staff verified that the Companies properly credited the AWAJ, which resulted in a decrease to the AWO monthly balance. Staff found in its samples that when a customer paid on their account, the Companies properly credited the customer's account balance and decreased the AWO.

In this audit, Staff examined the invoices from the collection agencies and the amounts placed for recovery through the Companies UEX riders and found the amounts matched.

Recommendations

Currently (and historically), the Companies' filing on the Annual Balance Reconciliation schedule does not separate "Recovery – Other" from "Bad Debts Written Off" and "Collection Expenses". The reason for not identifying a separate line item for Recovery – Other was due, in part, to the limitation of the Companies' computer system. In 2013, the Companies were acquired by a new owner. As a result of this change in ownership, the Companies in July 2013 implemented a new computer system. Starting with July 2013, Staff recommends that the Companies separate the components to include Recovery – Other as a separate line item. This line item should include customer payments received after disconnection and collection agency remittances net of fees.