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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Uncollectible )  
Expense Rider of Northeast Ohio )  
Natural Gas Corporation. ) Case No. 13-309-GA-UEX  
)

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COMMENTS  
OF THE STAFF OF  
THE PUBLIC UTILITIES COMMISSION OF OHIO

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October 17, 2013

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

*RE: In the Matter of the Uncollectible Expense Rider of Northeast Ohio Natural Gas Corporation, Case No. 13-309-GA-UEX*

Enclosed please find Staff's Comments regarding Northeast Ohio Natural Gas Corporation's application for an adjustment to its existing uncollectible expense rider in Case No. 13-309-GA-UEX.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Wm. Ross Willis', written in a cursive style.

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

**Application of Northeast Ohio Natural Gas Corporation**  
**Case No. 13-309-GA-UEx**

**Background**

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

Subsequently, in Case No. 04-0964-GA-ATA, Northeast Ohio Natural Gas Corporation (Northeast or Company) filed an Application for Tariff Approval (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 November 10, 2004, the Commission issued an Opinion and Order authorizing Northeast to establish and implement an initial UEx Rider of \$0.01 per MCF to its Small General Service (SGS) rate schedule, which became effective with the company's tariff filing on November 12, 2004.

Since that time Northeast has filed updates to adjust its rider rate and the Commission has authorized such subsequent revisions. The history of Northeast's rider is as follows:

November 2007 – August 2011	\$0.081 per Mcf
August 2011 - Present	\$0.000 per Mcf

On October 2, 2013, Northeast filed the pending application to revise its current uncollectible expense rider rate. Staff has reviewed the application and makes its findings and recommendation in this Staff Report.

Northeast's proposed rate would eliminate the current over-collected balance and more closely match rider revenues with actual bad debt incurred on a going-forward basis.

**Application**

Northeast's proposed application would result in a change to the existing rate of \$0.00 per Mcf to a proposed rate of \$(0.014) per Mcf beginning November 1, 2013.

Attachments in support of the application were provided by the Company for Staff review.

Attachment 1 of the application is the Company's Annual Budget Reconciliation (ABR). The ABR illustrates Northeast's actual write-off and revenue collected in 2012 and through June, 2013. Attachment A also includes estimated write-offs and revenue from July, 2013 through June, 2014.

Attachment 2 of the application provides the Company's calculation method in determining the proposed UEX rate. Northeast's calculation includes the following components: Actual Annual Sales for 12 months ending June 30, 2013; Actual Bad Debt Deferred as of June 30, 2013; projected Bad Debt Write-Offs, Collections, and Sales Volumes from July, 2013 through June, 2014.

In Attachment 3 to the application, Northeast incorporates the proposed uncollectible expense rider rate in its tariffs

### **Findings**

On January 23, 2012, in Case No. 12-309-GA-UEx, the Commission authorized the Staff to conduct a biannual audit of Northeast's UEX. The audit covered the period January 1, 2010 to December 31, 2011.

On December 7, 2012, in Case No. 12-309-GA-UEx, Staff filed its audit report of Northeast's UEX mechanisms. In its report, Staff determined and recommended the account balance for the UEX ending December 31, 2011 be set at \$(75,655.82).

Attachment 1 of the proposed application for calendar year 2012 is consistent with Staff's accounting filed in the December 7, 2012 Staff Report.

Staff determined the 2013 actual and estimated write-offs and collections as projected in Attachment 1 are reasonable based on previous UEX rate applications.

Staff determined the 2014 estimated write-offs and collections as projected in Attachment 1 is reasonable based on previous UEX rate applications.

Staff discovered a mathematical error on Attachment 2. Northeast stated in their calculation that the Estimated Uncollectible Accounts for the period July 2013 through June 2014 is \$35,000. The actual amount is \$45,000. Staff recalculated the UEX rate

using the \$45,000 amount in the calculations. Staff determined the new rate as (\$0.0091) per Mcf.

Exhibits A and B of this Report provide details of Staff's review of the proposed application.

### **Recommendation**

Staff has performed a review of Northeast's ABR covering calendar year 2012 and the first six months of calendar year 2013. Staff believes the Company's ABR is consistent with actual Bad Debt write-offs and Collections for the period.

Staff performed a review of Northeast's ABR estimations for Bad Debt write-offs and Collections for the period July, 2013 through June, 2014. Staff believes the estimations are reliable based on historical data.

Staff believes the application did not appropriately calculate the UEX rider based on a mathematical error and recommends a proposed rate of (\$0.0091) per Mcf be approved.

Northeast Ohio Natural Gas Corporation  
Case No. 13-309-GA-UEx

Exhibit A

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Northeast Ohio Natural Gas Company Uncollectible Accounts Expense Rider Reconciliation Case No. # 12-309-GA-UEx												
January 1, 2012 Through June 30, 2013 Actual July 1, 2013 through June 30, 2014 Estimate UEx Rate Case Application Filed October 2, 2013												
Staff Calculations												
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
						2012 ACTUAL						
1 Balance - Beginning of Month	(73,871.32)	(73,871.32)	(73,987.35)	(74,327.39)	(72,017.00)	(72,201.58)	(71,308.91)	(70,763.31)	(69,129.02)	(67,343.69)	(67,072.11)	(68,945.75)
2 Bad Debts Written Off	2,237.46	331.88	109.25	2,753.71	252.30	1,327.41	975.97	2,058.07	2,198.75	678.76	(1,461.60)	6,209.15
3 Recovery - Base Rates												
4 Recovery Bad Debts Rider (a)												
5 Recovery - Other (b)												
6 Incremental Bad Debt (2-(3+4+5))	2,237.46	331.88	109.25	2,753.71	252.30	1,327.41	975.97	2,058.07	2,198.75	678.76	(1,461.60)	6,209.15
7 Balance Subtotal (1+6)	(73,418.36)	(73,539.44)	(73,878.10)	(71,573.68)	(71,764.70)	(70,874.17)	(70,332.94)	(68,705.24)	(66,930.27)	(66,664.93)	(68,533.71)	(62,736.60)
8 Carrying Charges ((1+7)/2 x d	(452.96)	(447.91)	(449.29)	(443.32)	(436.88)	(434.74)	(430.38)	(423.78)	(413.42)	(407.19)	(412.04)	(400.12)
9 Balance End of Month (7+8)	(73,871.32)	(73,987.35)	(74,327.39)	(72,017.00)	(72,201.58)	(71,308.91)	(70,763.31)	(69,129.02)	(67,343.69)	(67,072.11)	(68,945.75)	(63,136.72)
(a) Actual Sales Volumes	277,969.50	297,932.10	243,633.30	131,410.90	115,281.50	60,584.10	49,605.10	56,684.10	55,973.00	77,091.00	164,741.70	229,517.50
times Current Bad Debt Rider	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recovery - Bad Debt Rider												
(b) consists of customer payments, net collection agency revenue, and other collections												
(c) Annual Carrying Charge Rate												
(d) Monthly Carrying Charge Rate	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%

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Exhibit A  
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Northeast Ohio Natural Gas Company Uncollectible Accounts Expense Rider Reconciliation Case No. # 12-309-GA-UEx January 1, 2012 Through June 30, 2013 Actual July 1, 2013 through June 30, 2014 Estimate UEX Rate Case Application Filed October 2, 2013												
Staff Calculations												
	2013											
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ESTIMATED	ESTIMATED	ESTIMATED	ESTIMATED	ESTIMATED	ESTIMATED
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1 Balance - Beginning of Month	(63,136.72)	(63,659.71)	(63,890.24)	(64,792.52)	(64,399.22)	(64,061.22)	(64,450.52)	(61,833.07)	(62,208.83)	(50,550.41)	(46,845.45)	(40,804.58)
2 Bad Debts Written Off	(138.89)	155.86	(512.47)	784.66	727.15	0.00	3,000.00	0.00	12,000.00	4,000.00	4,000.00	6,000.00
3 Recovery - Base Rates												
4 Recovery Bad Debts Rider (a)											2,306.38	3,213.25
5 Recovery - Other (b)												
6 Incremental Bad Debt (2-(3+4+5))	(138.89)	155.86	(512.47)	784.66	727.15	-	3,000.00	-	12,000.00	4,000.00	6,306.38	9,213.25
7 Balance Subtotal (1+6)	(63,275.61)	(63,503.85)	(64,402.71)	(64,007.86)	(63,672.07)	(64,061.22)	(61,450.52)	(61,833.07)	(50,208.83)	(46,550.41)	(40,539.07)	(31,591.34)
8 Carrying Charges ((1+7)/2 x d	(384.10)	(386.39)	(389.82)	(391.36)	(389.14)	(389.30)	(382.55)	(375.76)	(341.58)	(295.04)	(265.52)	(219.98)
9 Balance End of Month (7+8)	(63,659.71)	(63,890.24)	(64,792.52)	(64,399.22)	(64,061.22)	(64,450.52)	(61,833.07)	(62,208.83)	(50,550.41)	(46,845.45)	(40,804.58)	(31,811.31)
(a) Actual Sales Volumes	324,822.30	342,467.60	333,966.10	281,261.30	130,559.30	85,745.10	49,605.10	56,684.10	55,973.00	77,091.00	164,741.70	229,517.50
times Current Bad Debt Rider	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$0.014)
Recovery - Bad Debt Rider											2,306.38	3,213.25
(b) consists of customer payments, net collection agency revenue, and other collections												
(c) Annual Carrying Charge Rate												
(d) Monthly Carrying Charge Rate	0.5077%	0.5077%	0.5077%	0.5077%	0.5077%	0.5077%	0.5077%	0.5077%	0.5077%	0.5077%	0.5077%	0.5077%

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January 1, 2012 Through June 30, 2013 Actual  
July 1, 2013 through June 30, 2014 Estimate  
UEx Rate Case Application Filed October 2, 2013

Staff Calculations

	2014					
	ESTIMATED	ESTIMATED	ESTIMATED	ESTIMATED	ESTIMATED	ESTIMATED
	Jan	Feb	Mar	Apr	May	June
1 Balance - Beginning of Month	(31,811.31)	(22,428.11)	(13,743.14)	(6,127.81)	(209.35)	2,625.81
2 Bad Debts Written Off	5,000.00	4,000.00	3,000.00	2,000.00	1,000.00	1,000.00
3 Recovery - Base Rates						
4 Recovery Bad Debts Rider (a)	4,547.51	4,794.55	4,675.53	3,937.66	1,827.83	1,200.43
5 Recovery - Other (b)						
6 Incremental Bad Debt (2-(3+4+5))	9,547.51	8,794.55	7,675.53	5,937.66	2,827.83	2,200.43
7 Balance Subtotal (1+6)	(22,263.80)	(13,633.56)	(6,067.61)	(990.15)	2,618.49	4,826.24
8 Carrying Charges ((1+7)/2 x d)	(219.98)	(164.31)	(109.57)	(60.19)	(19.20)	7.32
9 Balance End of Month (7+8)	(22,428.11)	(13,743.14)	(6,127.81)	(209.35)	2,625.81	4,848.88
(a) Actual Sales Volumes	324,822.30	342,467.50	333,956.10	281,261.30	130,559.30	85,745.10
times Current Bad Debt Rider	(\$0.014)	(\$0.014)	(\$0.014)	(\$0.014)	(\$0.014)	(\$0.014)
Recovery - Bad Debt Rider	4,547.51	4,794.55	4,675.53	3,937.66	1,827.83	1,200.43
(b) consists of customer payments, net collection agency revenue, and other collections						
(c) Annual Carrying Charge Rate						
(d) Monthly Carrying Charge Rate	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%

Northeast Ohio Natural Gas Corporation  
Case No. 13-309-GA-UEx

Exhibit B

Northeast Ohio Natural Gas Corporation Revised Rider Rate Calculation		
Staff Calculations		
(1) Actual Bad Debt Deferred as of 6/30/13	\$ (64,450.52)	
(2) Actual Volumes, 7/12 - 6/13	2,132,434.10	Mcf
(3) Recovery Rate (Line 1/Line 2)	\$ (0.0302)	Per Mcf
(4) Estimated Uncollectible accounts 7/13 - 6/14	\$ 45,000.00	
(5) Projected Volumes 7/13 - 6/14	2,132,434.10	Mcf
(6) Projected Recovery Rate (Line 4/Line 5)	\$ 0.0211	Per Mcf
(7) Total Bad Debt Rate (Line 3 + Line 6)	\$ (0.0091)	Per Mcf
(8) Current Rider Rate 11-3505-GA-UEx	0.00	Per Mcf
(9) Change (Line 7 - Line 8)	\$ (0.0091)	
(10) Percentage Change	N/A	

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

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