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December 5, 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 Orwell Natural Gas Company, Case No. 13-312-GA-UEx

Enclosed please find Staff's Comments regarding Orwell Natural Gas Company's application for an adjustment to its existing uncollectible expense rider in Case No. 13-312-GA-UEx.

Respectfully submitted,

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

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business. Technician _____ Date Processed DEC 05 2013

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Uncollectible)
Expense Rider of Orwell Natural) Case No. 13-312-GA-UEx
Gas Company.)
)

**COMMENTS
OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

Date submitted: December 5, 2013

Application of Orwell Natural Gas Company
Case No. 13-312-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. 07-163-GA-ATA, Orwell Natural Gas Company (Orwell 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 June 27, 2007, the Commission issued an Opinion and Order authorizing Orwell to establish and implement an initial UEX Rider of \$0.10 per MCF to its Small General Service (SGS) rate schedule, which became effective with the company's tariff filing on June 29, 2007.

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

September 2010 – August 2011	\$0.05331 per MCF
August 2011 – July 2012	\$0.17081 per MCF
August 2012 – Present	\$0.06737 per MCF

On November 19, 2013, Orwell 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.

Orwell'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

Orwell's proposed application would result in a change to the existing rate of \$0.06737 per Mcf to a proposed rate of (\$0.00834) per Mcf beginning January 1, 2014.

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

Attachments 1 and 3 of the application are the Company's Annual Budget Reconciliation (ABR). The ABR illustrates Orwell's actual write-off and revenue collected beginning in January, 2012 and ending in September, 2013. The Attachments also include estimated write-offs and revenue from October, 2013 through June, 2014.

Attachment 2 of the application provides the Company's calculation method in determining the proposed UEX rate. Orwell's calculation includes the following components: the balance of over-collected uncollectible accounts expense as of September 30, 2013; an estimate of uncollectible accounts for the period October 1, 2013 through June 30, 2014, and estimated sales volumes for the period July 1, 2013 through June 30, 2014. In Attachment 4 to the application, Orwell incorporates the proposed uncollectible expense rider rate in its tariffs.

Findings

On January 23, 2012, in Case No. 12-312-GA-UEx, the Commission authorized the Staff to conduct a biannual audit of Orwell's UEX. The audit covered the period January 1, 2010 to December 31, 2011.

On February 14, 2013, in Case No. 12-312-GA-UEx, Staff filed its audit report of Orwell's UEX mechanisms. In its report, Staff determined and recommended the account balance for the UEX ending December 31, 2011 be set at \$41,880.39.

Page 1 of Attachment 1 of the proposed application for calendar year 2012 is consistent with Staff's accounting filed in the February 14, 2013 Staff Report.

Staff determined the 2013 actual and estimated write-offs and collections as projected in Attachments 1 and 3 are reasonable based on previous UEX historical write-offs and collections.

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

Staff determined that an error in Attachment 2 of the application was submitted. The Proposed UEX Rider Rate on Line 7 of Attachment 2 should indicate the correct rate as (\$0.00834) per Mcf. Staff discussed the matter with the Company, and they confirmed the submission of Attachment 2 was due to a clerical error. Orwell is in agreement with Staff that the rate referenced in all other areas of the application is the correct rate of (\$0.00834) per Mcf.

Staff determined that the correct UEX Rider Rate proposal of (\$0.00834) per Mcf is correctly stated in the Company's application and in the tariff language in Attachment 4.

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

Recommendation

Staff has performed a preliminary review of the annual balance reconciliation covering calendar years 2012 and 2013, and the first six months of 2014, and at this time, Staff does not propose any adjustment to the reconciliation. The proposed rate to (\$0.00834) decreases the rate to a level reflective of the anticipated bad debt write-offs through June 2014.

Staff believes Orwell's application appropriately calculates the rider and recommends the proposed rate of (\$0.00834) per Mcf be approved. Staff also recommends that in the next audit of Orwell's riders in 2014, the auditors examine the monthly uncollectible expense balances and write-offs and recoveries for calendar year 2013 and the first quarter of 2014 and any required adjustments/corrections be incorporated into the 2014 uncollectible expense rider application.

Exhibit B

ORWELL NATURAL GAS
 July 2013 - June 2014
 UEX Rider Calculation

1	Balance of Deferred UEX balance as of June 2013	\$(36,602.51)	
2	Actual UEX write-offs for 3 months ending September 2013	\$1,922	
	Estimated UEX write-offs for 3 months ending December 2013	\$6,214	
	Estimated UEX write-offs for 6 months ending June 2014	\$20,614	
3	Estimated Recoveries - Other for the 12 months ending April 2013	\$0	
4	Net Amount (Line 2 minus Line 3)	\$28,750	
5	Amount to be collected thru UEX Rider (Line 1 + Line 4)	\$ (7,852.14)	
6	Applicable Sales Volumes (July 2013 thru June 2014)	941,863	Mcf
7	Proposed UEX Rate (Line 5 / Line 6)	\$ (0.0083)	per Mcf
8	Current UEX Rate	0.0674	per Mcf
9	Change from Current UEX Rate to Proposed UEX Rider Rate (Line 7 - Line 8)	\$ (0.0757)	per Mcf
10	Percentage Change in Rate (Line 7 / Line 8)	-12.37%	

The Public Utilities Commission of Ohio
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