

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Regulation of the)
Purchased Gas Adjustment Clauses) Case No. 14-212-GA-GCR
Contained Within the Rate Schedules of)
Orwell Natural Gas Company.)

FINDING AND ORDER

The Commission finds:

- (1) Orwell Natural Gas Company (Orwell) is a gas or natural gas company as defined by R.C. 4905.03 and a public utility by reason of R.C. 4905.02. As such, Orwell is subject to the jurisdiction of the Commission in accordance with R.C. 4905.04 and 4905.05.
- (2) R.C. 4905.302 and Ohio Adm.Code 4901:1-14-07, provide that the Commission shall conduct, or cause to be conducted, periodic audits of each gas or natural gas company under the Commission's jurisdiction. Such audits shall review each company's compliance with the gas cost recovery (GCR) mechanism as delineated in Ohio Adm.Code 4901:1-14.
- (3) On February 13, 2014, the Commission directed that Staff examine the compliance of Orwell under the GCR mechanism.
- (4) On January 2, 2014, February 3, 2014, and March 3, 2014, as amended on March 5, 2014, Orwell filed, in this case, calculations of its GCR rates to be effective for billing purposes in January, February, and March 2014, respectively.
- (5) On March 13, 2014, Staff filed a memorandum indicating that there is a significant increase in Orwell's GCR rate for the month of March 2014.
- (6) By Entry of March 13, 2014, the attorney examiner directed Orwell to file, in this docket, a detailed explanation of the methodology used to calculate the GCR rates for January, February, and March 2014, and provide Staff with all workpapers supporting the calculations.
- (7) On March 20, 2014, Orwell filed its response to the March 13, 2014 Entry. Orwell explained that it had determined its

expected gas costs using the calculations in the appendix to Ohio Adm.Code 4901:1-14-05, "****in an attempt to calculate a more accurate expected gas cost rate given the extraordinary circumstances surrounding March gas purchases for Orwell."

- (8) On March 25, 2014, Staff filed a letter noting that it had reviewed the workpapers and explanation of the methodology used by Orwell. Staff noted that, in January and February, Orwell calculated the expected gas cost (EGC) portion of its GCR consistent with the historic calculations of the company. These calculations were made by taking the historic monthly volumes for the previous 12 months available, and applying the formula set forth in the appendix to Ohio Adm.Code 4901:1-14-05. However, in March, Orwell misapplied the formula allowed by Ohio Adm.Code 4901:1-14-05 and calculated a weighted average cost based on the current month's purchases. Staff explained that, due to the lower volumes and higher gas costs for March, a significantly higher EGC cost was created than what would have been calculated had the formula been applied correctly. Staff also noted that Orwell incorrectly included an annualized purchase price spike adjustment in the overall calculation of its GCR.

Staff recommended the Commission order Orwell to revert to its historic GCR calculations effective April 1, 2014. Staff also recommended the Commission order Orwell to provide Staff with all workpapers and verification for the actual sales volumes for March as soon as they are available. Staff, additionally, recommended Orwell pass back the difference between the GCR rate billed for March and the rate that would have been charged using the historic calculation. Specifically, Orwell should take the difference of \$4.2484 multiplied by the actual sales volumes for March and pass that back through the refund and reconciliation adjustment, without interest, through its GCR over a two-month period. Staff recommended this credit be applied in the May and June 2014 calculations.

- (9) Upon review, the Commission finds that Orwell improperly calculated its March 2014 GCR rate by not annualizing the calculation, in contravention of the Commission's rules, and including an annualized purchase price spike adjustment. Therefore, we direct Orwell to comply with Ohio Adm.Code 4901:1-14-05 and eliminate the price spike adjustment, effective April 1, 2014. In addition, Orwell shall provide Staff with all



workpapers and verification for the actual sales volumes for March as soon as they are available. Accordingly, Orwell is directed to pass back the difference between the GCR rate billed for March and the rate that would have been charged had Orwell properly calculated the GCR rate. Specifically, Orwell shall take the difference of \$4.2484, which is the difference between how Orwell calculated the March 5, 2014 GCR rate and how the rate should have been calculated, multiplied by the actual sales volumes for March and pass that back through the refund and reconciliation adjustment, effective May 2014, over a 12-month period.

It is, therefore,

ORDERED, That Orwell comply with the directives in finding (9). It is, further,

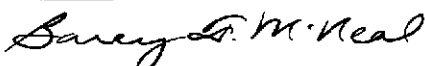
ORDERED, That a copy of this Finding and Order shall be served upon Orwell and any other interested party.

THE PUBLIC UTILITIES COMMISSION OF OHIO


Todd A. Snitchler, Chairman
Steven D. Lesser
Lynn Slaby
M. Beth Trombold
Asim Z. Haque

SEF/sc

Entered in the Journal **MAR 26 2014**


Barcy F. McNeal
Secretary