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

**Ohio Gas Company  
14-311-GA-UEX**

**Audit of the Uncollectible Expense Mechanisms  
for the period January 2012 through December 2013**

**May 29, 2014**

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

Ohio Gas Company  
14-311-GA-UEx

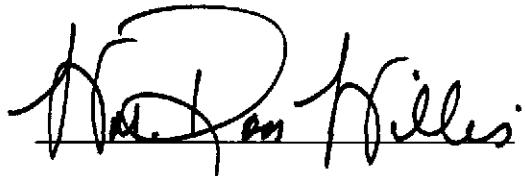
Audit of the Uncollectible Expense Mechanisms  
for the period January 2012 through December 2013

May 29, 2014

## **Certificate of Accountability**

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of the Ohio Gas Company (Ohio Gas or Company) Uncollectible Expense Rider (UEx) rates for January 1, 2012 through December 31, 2013. The Staff audited the material as set forth in the Commission Entry in Case No. 14-311-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, Ohio Gas Company accurately calculated its uncollectible expense 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

Enclosure  
cc: Parties of Record

## **Ohio Gas Company Uncollectible Expense Rider**

In Case No. 08-212-GA-GCR and 08-597-GA-UEx, Staff completed its first audit of Ohio Gas Company's (Ohio Gas) uncollectible expense rider (UEx). Staff's initial audit covered the years 2005 through 2007. Subsequently, Staff completed biannual audits of Ohio Gas' UEx rider in 2010 and 2012.

In this audit, Staff began with the verification of the amounts filed by Ohio Gas in its Annual Balance Reconciliation (ABR) calculations for calendar years 2012 and 2013. The ABRs for 2012 and 2013 were filed as attachments to the Company's UEx applications in Case No. 12-311-GA-UEx and 13-311-GA-UEx.

As shown in attachments 1 and 2, Ohio Gas' ABRs contained monthly write-off amounts, recoveries from the UEx rider, recoveries - other (payments received from collections agencies less collection fees), sales volumes and applicable UEx rider rates. From these components, Ohio Gas calculated its monthly over- or under-recoveries of uncollectible expenses and annual ending balances. Staff in the course of its audit verified the amounts for each component of Ohio Gas' ABRs.

For the verification of monthly write-offs, Staff relied on a report that the Company submits to collections agencies. This report is titled the Company Collection Report (CCR). The CCR is generated monthly by Ohio Gas' billing system that flags accounts in which no payment has been received in the last 90 days. The CCR are comprised of Percentage of Payment Plan (PIPP) and non-PIPP accounts and their unpaid account balances. The PIPP accounts were designated with a "P" with their account balances separated out from the CCR and recovered through the Company's PIPP rider. The remainder of the CCR balance represents the non-PIPP accounts, which were recoverable through the UEx and represent the monthly write-off amount in Ohio Gas' ABR. Staff, examined the CCR for all months and found that the amounts matched those that were filed in the Company's 2012 and 2013 applications.

Staff then randomly selected customers who had been included in the CCR and requested their billing history. For each account, Staff was able to verify the last payment, monthly balance, final balance and the length of time between the customer's final payment and when their account was placed into the CCR. Staff found all of the customers' unpaid balances matched the figures contained on the CCR. Staff also confirmed that these customers had not made a payment on their accounts for at least 90 days prior to their disconnection and balance being placed into the CCR.

In Case No. 12-311-GA-UEx, Staff, in its examination of the write-offs, found PIPP accounts were transferred to the UEX account after PIPP customers failed to re-verify their income eligibility in the PIPP program. The amount transferred to the UEX account between 2010 and 2011 was \$20,832.21. Staff believes that once an unpaid balance is included for recovery through the PIPP accounts, that balance should remain in the PIPP account and should not be removed and recoverable through the UEX rider. Staff recommended that Ohio Gas' December 2011 year ending balance should be reduced to recognize the removal of seventeen unpaid PIPP accounts that failed to re-verify.

Ohio Gas agreed to the recommendation and transferred the \$20,832.21 amount back to the PIPP account for recovery through the PIPP rider. Staff confirmed through *company records the transfer occurred in June 2012.*

In this audit, Staff confirmed that no PIPP accounts were transferred in the UEX for recovery.

Staff also recommended in Case No. 12-321-GA-UEx that Ohio Gas implement a tracking method that would maintain PIPP classification of customers and assure that write-offs of unpaid balances occur within the appropriate program. The company agreed to the recommendation and Staff confirmed in this audit a tracking method was implemented.

Staff examined sales volumes and verified dates when Commission-approved rider adjustments became effective during the audit period. Using this information, Staff was able to recalculate recoveries placed in "Recovery - Rider" in the ABR. No errors were found.

In completing its review of the Company's 2012 and 2013 ABR, Staff examined the recoveries by Ohio Gas which were placed in "Recovery – Other" (recoveries) in the ABR. Staff relied upon Ohio Gas' general ledger as its starting point to verify the recoveries. The Company's general ledger account 144.1 records all payments received by the Company for accounts that were placed into the CCR report. Staff was able to trace all of the recoveries for 2012 and 2013 to the general ledger.

Staff inquired into Ohio Gas' collection practices and found that the Company utilized the services of two external collection services, along with its internal collections. During the audit period, collectors were sent monthly copies of the Company's CCR. The collectors attempted to collect the write-offs and when successful, received a percentage of the collections. When the collector received a payment from a customer, the payment was remitted to Ohio Gas who credited the customer's account for the full amount of their payment, paid the external collector their percentage and recognized in the net amount (customers' payments less collection fees) in "Recovery – Other".

## **Conclusions**

Staff determined through the audit that Ohio Gas accurately applied the UEX rider rates and sales volumes for 2012 and 2013.

Staff confirmed through company records that \$20,832.21 was transferred from the UEX account to the PIPP account in June 2012 as recommended by Staff in the 2012 audit report and agreed to by the company.

Staff also confirmed that no PIPP accounts were transferred to the UEX account for recovery.

Staff in the course of its audit verified the amounts for each component of Ohio Gas' ABRs.

Staff confirmed that Ohio Gas implemented a tracking method that would maintain PIPP classification of customers and assure that write-offs of unpaid balances occur within the appropriate program.

## **Recommendations**

Staff has no recommendations.

ATTACHMENT 1

Ohio Gas Company  
Case No. 14-311-GA-UEx  
Bad Debt Rider  
Annual Balance Reconciliation - 2012

Attachment 1

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	2012											
	January	February	March	April	May	June	July	August	September	October	November	December
(1) Balance - Beginning of Month	(67,442)	(59,640)	(78,566)	(75,369)	(65,498)	(40,915)	(42,228)	(36,030)	(31,287)	(22,314)	(35,655)	(54,410)
(2) Bad Debt Written Off	9,607	5,891	5,704	15,768	26,889	21,247	11,243	12,160	16,467	4,888	8,470	29,643
(3) Recovery - Base Rate	0	0	0	0	0	0	0	0	0	0	0	0
(4) Recovery - Bad Debt Rider (a)	(18,586)	(18,336)	(13,635)	(7,284)	(4,795)	(2,355)	(522)	(508)	(593)	(1,185)	(2,704)	(3,622)
(5) Recovery - Other (Collection Expense)	20,391	43,154	16,142	13,181	7,100	4,083	5,567	7,925	8,088	19,413	29,930	15,432
(6) Incremental Bad Debt (2) - [(3)+(4)+(5)]	7,802	(18,927)	3,197	9,871	24,584	19,519	6,198	4,743	8,972	(13,340)	(18,756)	17,833
(7) Balance Subtotal (1) +(6)	(59,640)	(78,566)	(75,369)	(65,498)	(40,915)	(21,396)	(36,030)	(31,287)	(22,314)	(35,655)	(54,410)	(36,577)
(8) Carrying Charges ((1)+(7))/2*(b)	0	0	0	0	0	0	0	0	0	0	0	0
(9) 2011 Audit Adjustment						(20,832)						
(10) Balance - End of Month (7)+(8)+(9)	(59,640)	(78,566)	(75,369)	(65,498)	(40,915)	(42,228)	(36,030)	(31,287)	(22,314)	(35,655)	(54,410)	(36,577)
(a) sales volumes x effective rider rate	929,309.6 (0.0200)	916,818.5 (0.0200)	681,763.6 (0.0200)	364,190.6 (0.0200)	239,731.1 (0.0200)	117,735.4 (0.0200)	93,282.2 (0.0056)	90,659.1 (0.0056)	105,976.5 (0.0056)	211,541.3 (0.0056)	482,940.3 (0.0056)	646,872.6 (0.0056)

(b) Consists of customer payments, agency assistance, supplier discounts, less collection fees.

ATTACHMENT 2

Ohio Gas Company  
Case No. 14-311-GA-UEx  
Bad Debt Rider  
Annual Balance Reconciliation - 2013

Attachment 1  
Page 1 of 2

	2013											
	January	February	March	April	May	June	July	August	September	October	November	December
(1) Balance - Beginning of Month	(36,577)	(52,902)	(69,351)	(81,326)	(75,948)	(63,034)	(41,089)	(24,654)	(17,322)	(14,827)	(30,375)	(54,491)
(2) Bad Debt Written Off	2,537	1,159	2,751	9,701	16,142	28,705	21,121	17,049	11,987	17,735	5,777	5,858
(3) Recovery - Base Rate	0	0	0	0	0	0	0	0	0	0	0	0
(4) Recovery - Bad Debt Rider (a)	(5,676)	(5,693)	(5,403)	(3,936)	(1,775)	(759)	(585)	(1,932)	(2,085)	(3,710)	(9,189)	(19,424)
(5) Recovery - Other (Collection Expense)	24,538	23,301	20,129	8,260	5,002	7,519	5,270	11,649	11,578	36,993	39,082	17,881
(6) Incremental Bad Debt (2) - [(3)+(4)+(5)]	(16,325)	(16,449)	(11,975)	5,378	12,915	21,944	16,435	7,332	2,495	(15,548)	(24,116)	7,401
(7) Balance Subtotal (1) +(6)	(52,902)	(69,351)	(81,326)	(75,948)	(63,034)	(41,089)	(24,654)	(17,322)	(14,827)	(30,375)	(54,491)	(47,090)
(8) Carrying Charges [(1)+(7)]/2*(b)	0	0	0	0	0	0	0	0	0	0	0	0
(9) 2011 Audit Adjustment												
(10) Balance - End of Month (7)+(8)+(9)	(52,902)	(69,351)	(81,326)	(75,948)	(63,034)	(41,089)	(24,654)	(17,322)	(14,827)	(30,375)	(54,491)	(47,090)
(a) sales volumes x effective rider rate	1,013,540.3 (0.0056)	1,016,613.8 (0.0056)	964,813.7 (0.0056)	702,930.6 (0.0056)	316,991.4 (0.0056)	135,470.5 (0.0056)	104,384.9 (0.0056)	96,599.3 (0.0200)	104,260.2 (0.0200)	185,511.7 (0.0200)	459,425.3 (0.0200)	971,193.4 (0.0200)

(b) Consists of customer payments, agency assistance, supplier discounts, less collection fees.