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

**Suburban Natural Gas Company
Case Number 14-316-GA-UEx**

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

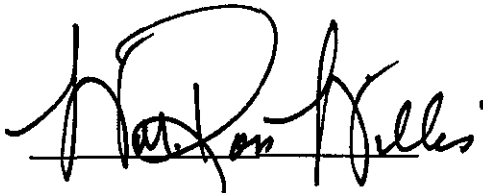
July 31, 2014

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Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of Suburban Natural Gas Company (Suburban 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. 14-316-GA-UEx.

Our audit has 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, Suburban accurately calculated its UEX 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

Suburban Natural Gas Company

Uncollectible Expense Rider

In Case No. 07-689-GA-AIR, The Suburban Natural Gas Company (Suburban) filed an Application to Increase Rates (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 or UEX Rider). On March 19, 2008, the Commission issued an Opinion and Order authorizing Suburban to establish and implement an initial UEX Rider of \$0.07012727 per MCF, which became effective on April 17, 2008.

Since that time the Company has filed annual updates to adjust the rider rate and the Commission has authorized such subsequent revisions. The history of Suburban's UEX Rider is:

April 2008 - July 2009	\$0.07012727 per Mcf
August 2009 - October 2011	\$0.08641518 per Mcf
November 2011 – June 2012	\$0.05699811 per Mcf
July 2012 – June 2013	(\$0.04149040) per Mcf
July 2013 – Current	(\$0.02562855) per Mcf

On May 30, 2014, the Company filed an application in this case to revise its UEX Rider to \$0.00133 per Mcf. On July 7, 2014, the Commission approved Suburban's application. During the time between application and approval, Staff performed a preliminary review of the data provided by the Company to insure the adjusted rider calculation was just and reasonable. Staff comments filed on June 17, 2014 recommending that the audit cover the monthly uncollectible expense balance, write-offs and recoveries be adjusted as necessary for future UEX Rider applications.

In this audit, Staff began with the verification of the amounts filed by Suburban in its Annual Balance Reconciliation (ABR) calculations for the audit period. The ABRs were filed as attachments to the Company's UEX applications in Case No. 13-316-GA-UEx and 14-316-GA-UEx. Staff verified the accuracy of Suburban's accounts and calculations used in their UEX applications filed during the audit period. The Company's ABRs are listed as Attachment 1 to this Staff Report.

Staff continued its audit with a review of Suburban's collection policies. Per internal collection practices, if a customer fails to pay their bill within 14 days after the date of mailing, a letter is sent to the customer advising them that if they do not make payment arrangements within 30 days, their account is liable to be turned over to an Outside Collection Agency (OCA). If no payment arrangements are made within 30 days, the account is submitted to the OCA. Any monies recovered by the OCA are credited to the customer's arrearages. Suburban writes off non-pay accounts in December of each year. Accounts over 365 days past due are written off and considered as part of the UEX Rider.

Staff believes the time-frame to write-off an outstanding balance is too long. In comparing the Company's write-off policy to other local distribution companies (LDCs) serving less than 20,000 customers, Staff has recommended that the LDCs write-off accounts for non-payment at a minimum of 60 days to a maximum 180 days.¹

Next, Staff continued its audit with the examination of Suburban's 2012 - 2013 Bad Debt Account Listing which covered the period from January 1, 2012 through December 31, 2013. For that period of time, 398 accounts were marked as "Bad Debt" for a total write off of \$90,432.91. The totals coincide with the ABR's filed in Suburban's UEX applications listed above. Staff then randomly selected several customers from the Bad Debt Account Listing and requested their complete billing histories. Customers included in the Bad Debt Account Listing are those who have not made a payment on their account for at least one year. For each customer

¹ Case No. 13-310-GA-UEx (Glenwood Energy of Oxford, Inc.), Case No. 12-309-GA-UEx (Northeast Ohio Gas Company), Case No. 12-312-GA-UEx (Orwell Natural Gas), Case No. 14-313-GA-UEx (Piedmont Gas Company), and Case No. 09-217-GA-GCR (Waterville Gas and Oil Company).

selected, Staff verified that monthly charges and payments were properly applied to the account balance.

Staff then verified that for each account examined, the Bad Debt Account Listing accurately reflected the amount of the final payment made, the date when the final payment was made, and the final balance included for write-off.

Staff conducted a detailed examination of Suburban's Recoveries - Other account to verify collection recoveries from Bad Debt Write-Offs are properly recorded. The Recoveries - Other account takes into consideration payments received from customers that have been written off and have made payment directly to Suburban or to the OCA. The Recoveries - Other account is part of the calculations in determining the ABR balance. The examination confirmed Suburban's accounting procedures in calculating this account.

However, Staff believes that Suburban's procedure in reporting the transfer of an UEX account balance to an active account should be reported in the Bad Debts Written-Off line item instead of the Recoveries - Other account. Balance transfers are not a recovery mechanism, and therefore should be reported in the aforementioned line item.

Staff compared Suburban's reported UEX Sales Volumes with their reported GCR Sales Volumes. Staff determined that Suburban's UEX Sales Volumes as accurate based on Staff's audit of GCR Sales Volumes in Case No. 14-216-GA-GCR.

Staff then calculated Suburban's UEX Sales Volumes with their approved UEX rider rate for each month of the audit period. Staff determined that Suburban properly calculated the UEX Sales Volumes with the corresponding monthly UEX rate.

Continuing from the last audit report in Case No. 12-316-GA-UEx, Staff confirmed that Suburban did not include the Gross Receipt Tax to the UEX rider during this audit period. Suburban pays their collection agency for collection recovery costs, both UEX and non-UEx collections through the Company's base rate.

Attachment 2 of this Staff Report shows Staff Calculations of Suburban's UEX ABR.

Conclusion

Staff's audit of Suburban's UEX account determined that the Company appropriately applied the UEX rider rate with the Annual Sales Volumes to their Recoveries-Bad Debt Rider account.

Staff confirmed the number of accounts and the amounts written-off during the audit period.

Staff verified that accounts written-off during the audit period were greater than 365 days since the last payment on the account.

Staff confirmed that customers making payment to their UEX arrearage are properly credited.

Staff confirmed that payments made to the OCA are paid through its base rate, and the Gross Receipts Tax was not billed through the UEX Rider.

Recommendations

Staff recommends that Suburban change its policy to writing off an account balance from 365 days to a maximum of 180 days but no less than 60 days from non-payment.

Staff recommends that Suburban change its procedure in reporting UEX balance transfers. Staff believes that UEX balance transfers should be reported in the Bad Debt Written-Off account instead of the Recovery-Other account.

Staff recommends that the January 2014 beginning balance be set at (\$24,050).

ATTACHMENT 1

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Suburban Natural Gas Company
Uncollectible Accounts Expense Rider Reconciliation
Case No. # 14-316-GA-UEx
January 1, 2012 Through December 31, 2013

Company Filing
Case No. 13-316-GA-UEx

	2012											
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1 Balance - Beginning of Month	\$(124,522)	\$(139,450)	\$(155,515)	\$(170,475)	\$(176,520)	\$(182,393)	\$(183,792)	\$(183,128)	\$(182,017)	\$(178,274)	\$(180,059)	\$(174,902)
2 Bad Debts Written Off	\$29	\$0	\$0	\$0	\$0	\$1,292	\$0	\$0	\$2,168	\$10	\$78	\$64,493
3 Recovery - Base Rates	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4 Recovery Bad Debts Rider (a)	\$14,736	\$15,173	\$13,207	\$5,851	\$5,148	\$2,527	\$(1,444)	\$(1,326)	\$(1,590)	\$(1,935)	\$(5,394)	\$(7,544)
5 Recovery - Other (b)	\$221	\$892	\$1,753	\$194	\$725	\$164	\$780	\$215	\$15	\$3,730	\$315	\$2,555
6 Incremental Bad Debt (2-(3+4+5))	\$(14,928)	\$(16,065)	\$(14,960)	\$(6,045)	\$(5,873)	\$(1,399)	\$664	\$1,111	\$3,743	\$(1,785)	\$5,157	\$69,482
7 Balance Subtotal (1+6)	\$(139,450)	\$(155,515)	\$(170,475)	\$(176,520)	\$(182,393)	\$(183,792)	\$(183,128)	\$(182,017)	\$(178,274)	\$(180,059)	\$(174,902)	\$(105,420)
8 Carrying Charges ((1+7)/2 x d	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9 Balance End of Month (7+8)	\$(139,450)	\$(155,515)	\$(170,475)	\$(176,520)	\$(182,393)	\$(183,792)	\$(183,128)	\$(182,017)	\$(178,274)	\$(180,059)	\$(174,902)	\$(105,420)

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Company Filing

Case No. 14-316-GA-UEx

2013

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1 Balance - Beginning of Month	(\$105,420)	(\$94,661)	(\$81,574)	(\$70,354)	(\$62,654)	(\$59,346)	(\$59,473)	(\$57,832)	(\$59,987)	(\$56,358)	(\$55,282)	(\$55,338)
2 Bad Debts Written Off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$26,350
3 Recovery - Base Rates	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4 Recovery Bad Debts Rider (a)	(\$11,079)	(\$12,875)	(\$11,367)	(\$9,635)	(\$4,210)	(\$2,271)	(\$1,403)	(\$886)	(\$930)	(\$991)	(\$3,187)	(\$5,660)
5 Recovery - Other (b)	\$320	(\$212)	\$147	\$1,935	\$902	\$2,399	(\$238)	\$40	\$301	(\$86)	\$3,243	\$722
6 Incremental Bad Debt (2-(3+4+5))	\$10,759	\$13,087	\$11,220	\$7,700	\$3,308	(\$127)	\$1,641	\$845	\$629	\$1,076	(\$56)	\$31,288
7 Balance Subtotal (1+6)	(\$94,661)	(\$81,574)	(\$70,354)	(\$62,654)	(\$59,346)	(\$59,473)	(\$57,832)	(\$56,987)	(\$56,358)	(\$55,282)	(\$55,338)	(\$24,050)
8 Carrying Charges (1+7)/2 x d	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9 Balance End of Month (7+8)	(\$94,661)	(\$81,574)	(\$70,354)	(\$62,654)	(\$59,346)	(\$59,473)	(\$57,832)	(\$56,987)	(\$56,358)	(\$55,282)	(\$55,338)	(\$24,050)

ATTACHMENT 2

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Suburban Natural Gas Company
Uncollectible Accounts Expense Rider Reconciliation
Case No. # 14-316-GA-UEx
January 1, 2012 Through December 31, 2013

Staff Calculations

Case No. 13-316-GA-UEx

	2012											
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1 Balance - Beginning of Month	\$ (124,522)	\$ (139,451)	\$ (155,516)	\$ (170,478)	\$ (176,524)	\$ (182,397)	\$ (183,791)	\$ (183,123)	\$ (182,007)	\$ (178,259)	\$ (180,042)	\$ (174,885)
2 Bad Debts Written Off	\$29	\$0	\$0	\$0	\$0	\$1,292	\$0	\$0	\$2,168	\$10	\$78	\$64,493
3 Recovery - Base Rates	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4 Recovery Bad Debts Rider (a)	\$14,737	\$15,173	\$13,209	\$5,852	\$5,148	\$2,522	\$ (1,448)	\$ (1,331)	\$ (1,595)	\$ (1,938)	\$ (5,394)	\$ (7,544)
5 Recovery - Other (b)	\$221	\$892	\$1,753	\$194	\$725	\$164	\$780	\$215	\$15	\$3,730	\$315	\$2,555
6 Incremental Bad Debt (2-(3+4+5))	\$ (14,928)	\$ (16,065)	\$ (14,962)	\$ (6,046)	\$ (5,873)	\$ (1,394)	\$668	\$1,116	\$3,748	\$ (1,782)	\$5,157	\$69,482
7 Balance Subtotal (1+6)	\$ (139,451)	\$ (155,516)	\$ (170,478)	\$ (176,524)	\$ (182,397)	\$ (183,791)	\$ (183,123)	\$ (182,007)	\$ (178,259)	\$ (180,042)	\$ (174,885)	\$ (105,403)
8 Carrying Charges ((1+7)/2 x d	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9 Balance End of Month (7+8)	\$ (139,451)	\$ (155,516)	\$ (170,478)	\$ (176,524)	\$ (182,397)	\$ (183,791)	\$ (183,123)	\$ (182,007)	\$ (178,259)	\$ (180,042)	\$ (174,885)	\$ (105,403)
(a) Actual Sales Volumes	258,550	266,205	231,746	102,674	90,311	44,243	34,905	32,072	38,432	46,702	130,000	181,826
times Current Bad Debt Rider	\$0.0569811	\$0.0569811	\$0.0569811	\$0.0569811	\$0.0569811	\$0.0569811	\$ (0.0449940)	\$ (0.0449940)	\$ (0.0449940)	\$ (0.0449940)	\$ (0.0449940)	\$ (0.0449940)
Recovery - Bad Debt Rider	\$14,737	\$15,173	\$13,209	\$5,852	\$5,148	\$2,522	\$ (1,448)	\$ (1,331)	\$ (1,595)	\$ (1,938)	\$ (5,394)	\$ (7,544)

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Staff Calculations

Case No. 14-316-GA-UEx

2013

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1 Balance - Beginning of Month	(\$105,403)	(\$94,644)	(\$80,558)	(\$70,339)	(\$62,647)	(\$59,340)	(\$59,465)	(\$57,820)	(\$56,977)	(\$56,351)	(\$55,277)	(\$55,334)
2 Bad Debts Written Off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$26,350
3 Recovery - Base Rates	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4 Recovery Bad Debts Rider (a)	(\$11,079)	(\$12,874)	(\$11,366)	(\$9,627)	(\$4,209)	(\$2,274)	(\$1,408)	(\$803)	(\$927)	(\$988)	(\$1,186)	(\$5,661)
5 Recovery - Other (b)	\$320	(\$212)	\$147	\$1,935	\$902	\$2,399	(\$238)	\$40	\$301	(\$86)	\$243	\$72
6 Incremental Bad Debt (2-3+4+5)	\$10,739	\$13,086	\$11,219	\$7,692	\$3,307	(\$125)	\$1,646	\$843	\$826	\$1,074	(\$57)	\$31,289
7 Balance Subtotal (1+6)	(\$94,644)	(\$81,558)	(\$70,339)	(\$62,647)	(\$59,340)	(\$59,465)	(\$57,820)	(\$56,977)	(\$56,351)	(\$55,277)	(\$55,334)	(\$24,050)
8 Carrying Charges (1+7) (2 x d)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9 Balance End of Month (7+8)	(\$94,644)	(\$81,558)	(\$70,339)	(\$62,647)	(\$59,340)	(\$59,465)	(\$57,820)	(\$56,977)	(\$56,351)	(\$55,277)	(\$55,334)	(\$24,050)
(a) Actual Sales Volumes	267,014	310,295	273,945	232,022	101,447	54,801	33,930	34,439	36,158	38,554	124,324	220,876
Times Current Bad Debt Rider	(\$10,041,990)	(\$10,041,990)	(\$10,041,990)	(\$10,041,990)	(\$10,041,990)	(\$10,041,990)	(\$10,041,990)	(\$10,025,285)	(\$10,025,285)	(\$10,025,285)	(\$10,025,285)	(\$10,025,285)
Recovery - Bad Debt Rider	(\$11,079)	(\$12,874)	(\$11,366)	(\$9,627)	(\$4,209)	(\$2,274)	(\$1,408)	(\$803)	(\$927)	(\$988)	(\$1,186)	(\$5,661)