

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the)
CHOICE/SSO/SCO Reconciliation)
Rider of Columbia Gas of Ohio,) Case No. 14-221-GA-EXR
Inc. and Related Matters.)

In the Matter of the Uncollectible)
Expense Rider of Columbia Gas of) Case No. 14-321-GA-UEX
Ohio, Inc. and Related Matters.)

In the Matter of the Percentage of)
Income Payment Plan Rider of) Case No. 14-421-GA-PIP
Columbia Gas of Ohio, Inc.)

FINDING AND ORDER

The Commission finds:

- (1) Columbia Gas of Ohio, Inc. (Columbia) 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, Columbia is subject to the jurisdiction of the Commission, in accordance with R.C. 4905.04 and 4905.05.
- (2) By Opinion and Order issued December 2, 2009, in *In re Application of Columbia Gas of Ohio, Inc.*, Case No. 08-1344-GA-EXM (*Columbia SSO Case*), the Commission authorized Columbia to proceed with the first and second phases of its plan to eliminate its gas cost recovery (GCR) mechanism.
- (3) With the elimination of the GCR mechanism, costs and credits that were once recovered through the GCR are now to be recovered through the CHOICE/SSO/SCO Reconciliation (CSRR) rider. The stipulation approved in the *Columbia SSO Case* provided that all aspects of the proposed cost recovery through the CSRR rider are to be reviewed as part of an annual financial audit that would be conducted by an outside auditor, docketed, and reviewed by Staff.

- (4) By Opinion and Order issued December 17, 2003, in *In re Application of Columbia Gas of Ohio, Inc., et al.*, Case No. 03-1127-GA-ATA, the Commission approved an application filed by five gas distribution companies, including Columbia, requesting authorization to recover uncollectible expenses (UEX) through riders. A requirement of the Order in that case was that the new UEX riders would be audited in the course of each company's GCR audit. With the elimination of Columbia's GCR mechanism, the UEX rider is to be audited in the course of Columbia's audit of the CSRR rider.
- (5) Furthermore, the Commission has authorized Columbia to recover percentage of income payment plan (PIPP) arrearages associated with providing natural gas service through its PIPP rider. See *In re Establishment of Recovery Method for Percentage of Income Payment Plan*, Case No. 87-244-GE-UNC, Finding and Order (Aug. 4, 1987) (*PIPP Recovery Case*).
- (6) By Entry issued May 7, 2014, the Commission initiated the financial audits of Columbia's CSRR, UEX, and PIPP riders. The CSRR audit was for the period April 1, 2013 through March 31, 2014. The UEX audit was for calendar year 2013, and the first quarter of 2014. The PIPP audit was for rates effective January 2013 through March 2014. Columbia's auditor was directed to docket its audit findings for the CSRR rider in Case No. 14-221-GA-EXR (*Columbia 2014 EXR Case*); audit findings for the UEX rider in Case No. 14-321-GA-UEX (*Columbia 2014 UEX Case*); and audit findings for the PIPP rider in Case No. 14-421-GA-PIP (*Columbia 2014 PIPP Case*). The auditor, selected by Columbia, was directed to docket all three audit reports in their respective dockets by October 3, 2014. Interested parties were directed to file comments and reply comments by October 17, 2014, and October 31, 2014, respectively.
- (7) The audit report for the CSRR rider, for the period April 1, 2013 through March 31, 2014, was filed on October 3, 2014, in the *Columbia 2014 EXR Case*. The audit was performed by Deloitte & Touche LLP (D&T)

and found Columbia's application and accounting systems accurate in many respects, with the following exceptions: (1) a discrepancy between off system sales/capacity release (OSS/CR) margins and the dollar values to be shared with customers; (2) discrepancies with the actual cost adjustment between Columbia's schedules and the general ledger; (3) discrepancies with supplier refund reconciliation adjustment between Columbia's schedules and the general ledger; and (4) discrepancies with OSS/CR sharing adjustment between Columbia's schedules and the general ledger.

- (8) On October 17, 2014, Columbia filed comments concerning the CSRR audit. Regarding OSS/CR margins in relation to dollar values to be shared with customers, Columbia states that variances resulted from an incorrect adjustment booked to the general ledger in December 2013, creating an imbalance between supporting documents and the general ledger, which Columbia will reverse in October 2014.

Concerning discrepancies with the actual cost adjustment between Columbia's schedules and the general ledger, and the supplier refund and reconciliation adjustment between Columbia's schedules and the general ledger, Columbia states that rounding differences were caused by its use of financial statements and other supporting documents, instead of the general ledger, to develop the CSRR filings. Columbia adds that the variances were corrected in April 2014 by deploying its new accounting software. Columbia also states that variances resulted from a booking error in June 2013, causing an understatement of nontemperature balancing service revenues set forth on the general ledger, and that its books were corrected in July 2013.

Regarding OSS/CR sharing adjustment discrepancies between Columbia's schedules and the general ledger, Columbia states that the variance in shared savings of \$45,280 between its CSRR filing and the general ledger resulted from recording shared savings in a prior period. Columbia asserts that it will make a correcting entry to its books in October 2014.

- (9) The audit report for the UEX rider, for calendar year 2013 and the first quarter of 2014, was filed on October 3, 2014, by D&T in the *Columbia 2014 UEX Case*. The audit found Columbia's application and accounting systems accurate in all respects, except for the general ledger balance at March 31, 2014, which was overstated by \$22,562.
- (10) On October 17, 2014, Columbia filed comments concerning the UEX audit. Columbia states that the \$22,562 variance resulted from Columbia accidentally failing to apply bad debt recoveries and adjustments to certain internal accounts. Columbia adds that it will correct the imbalance by a general ledger entry in October 2014.
- (11) The audit report for the PIPP rider was filed on October 3, 2014, in the *Columbia 2014 PIPP Case*. The audit report found Columbia's application and accounting systems generally accurate, with several discrepancies, as follows: (1) a minor \$7.00 difference between the accounting systems and the general ledger for the PIPP regulatory asset; (2) discrepancies with several randomly selected customer arrearages; and (3) differences in the comparison of sales, choice and transportation volumes to distributed information system (DIS), gas accounting system (GMB/GAS), and transportation next generation (GTS) reports.
- (12) On October 17, 2014, Columbia filed comments concerning the PIPP audit. Columbia asserts that the \$7.00 discrepancy was caused by a rounding difference when it used financial statements rather than the general ledger to develop the PIPP filing. The variance has been corrected, contends Columbia, with the April 2014 deployment of its new accounting software.

Regarding customer arrearages, Columbia notes that a \$12.98 difference between DIS and customer detail was caused by a customer paying \$12.98 over the final bill amount due, leaving a credit balance on the account; when Columbia applied the credit to lower the customer's final PIPP arrearage, a corresponding entry

showing the transfer was not made. Columbia has since made the subsequent entry, resulting in a \$0 balance for the customer. Columbia also notes that a \$119.04 differential between DIS and customer detail was because although a PIPP customer had paid all amounts owed, Columbia's system did not properly apply the PIPP credit to the customer's account, as the total payment was made in two installments. Columbia subsequently identified the issue and corrected the customer's account in DIS.

As for discrepancies between sales, choice and transportation volumes in comparison to DIS, GMB/GAS, and GTS reports, Columbia states that differences resulted from failing to update its worksheet that summarizes volumes subject to payment of the PIPP rider. Columbia adds that it typically updates its worksheet monthly, and during its PIPP rider recovery reconciliation process, the errors were identified. Columbia states that it made subsequent correcting entries in June 2013, October 2013, and September 2014, to ensure that the PIPP rider recoveries on the books were calculated using the actual volumes consumed.

- (13) The Commission has reviewed the reports filed in these dockets by D&T and observes that Columbia has responded with thorough explanations concerning any discrepancies found by D&T. The Commission further notes that no reply comments were filed concerning the corrective measures Columbia described. Therefore, the Commission concludes that the findings of D&T, as set forth in the audit reports docketed in the *Columbia 2014 EXR Case*, *Columbia 2014 UEX Case*, and *Columbia 2014 PIPP Case* should be adopted by the Commission.

It is, therefore,

ORDERED, That the findings of D&T, set forth in the audit reports docketed in these cases, be adopted. It is, further,

ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this Finding and Order be served upon Columbia and upon all other persons of record in these proceedings.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Thomas W. Johnson, Chairman

Steven D. Lesser

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Entered in the Journal

JAN 21 2015

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Secretary