

FILE

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

**Financial Audit of the Gas Cost Recovery
Mechanisms for the Effective GCR Periods**

Brainard Natural Gas Company

Case No. 14-206-GA-GCR

January 1, 2013 through June 30, 2014

Northeast Ohio Natural Gas Corporation

Case No. 14-209-GA-GCR

March 1, 2012 through June 30, 2014

Orwell Natural Gas Company

Case No. 14-212-GA-GCR

July 1, 2012 through June 30, 2014



RECEIVED-DOCKETING DIV
2015 JAN 27 PM 1:41
PUCO

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 DMB Date Processed JAN 27 2015

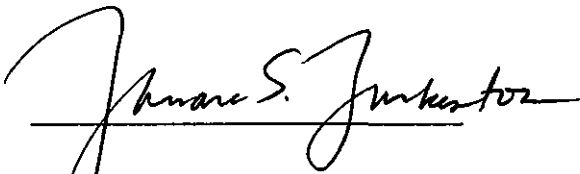
Table of Contents

CERTIFICATE OF ACCOUNTABILITY	2
SECTION I	
EXECUTIVE SUMMARY	3
SECTION II	
COMPANY PROFILE	6
SECTION III	
EXPECTED GAS COST	9
SECTION IV	
ACTUAL ADJUSTMENT.....	14
SECTION V	
REFUND AND RECONCILIATION ADJUSTMENT	29
SECTION VI	
BALANCE ADJUSTMENT.....	30
SECTION VII	
UNACCOUNTED-FOR GAS	44
SECTION VIII	
CUSTOMER BILLING	46

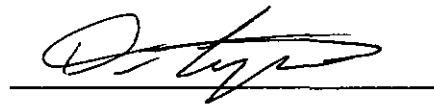
Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of gas cost recovery (GCR) rates for three companies: Brainard Gas Corporation (Brainard) for the period January 1, 2013, through June 30, 2014; for Northeast Ohio Natural Gas Corporation (Northeast) for the period March 1, 2012, through June 30, 2014 and Orwell Natural Gas Company (Orwell) for the period July 1, 2012, through June 30, 2014. The Staff audited for conformity with the procedural aspects of the uniform purchase gas adjustment as set forth in Chapter 4901:1-14, O.A.C and related appendices, and by Commission Opinion and Order in Case Nos. 13-206-GA-GCR (signed on March 26, 2014), 12-209-GA-GCR and 12-212-GA-GCR (signed on November 13, 2013).

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 reported, Brainard, Northeast and Orwell (the Companies) accurately calculated gas cost recovery rates for those periods under investigation in accordance with the uniform purchase gas adjustment as set forth in Chapter 4901:1-14, O.A.C, and related appendices, except for those instances noted in the Executive Summary of this audit report. The Staff has performed investigations into these specific areas and respectfully submits its findings and recommendations.



Tamara S. Turkenton
Chief, Regulatory Services Division
Public Utilities Commission of Ohio



David Lipthratt
Chief, Research and Policy Division
Public Utilities Commission of Ohio

Section I

Executive Summary

Audit Work Program

Staff's investigation consisted of several components. Staff initially submitted a data request to the Companies requesting documentation necessary to recalculate the Companies' purchased gas costs, purchase volumes, customer billings, sales volumes and informational items such as number of customers and transportation through-put. Staff reviewed and evaluated the data responses along with relevant documents from within the Commission in preparation for the audit. Staff conducted investigative interviews with appropriate company personnel and examined related supplier invoices and spreadsheets at the Companies' office in Mentor, Ohio.

Prior Commission Opinion and Orders

The Commission identified several provisions in its 2012 Opinion and Order for Northeast and Orwell in Case No. 12-209-GA-GCR and Case No. 12-212-GA-GCR. The key issues were later adopted by the Commission in the 2013 Commission Opinion and Order for Brainard in Case No. 13-206-GA-GCR. The citations below refer to the 2012 Commission Opinion and Order for Northeast and Orwell which was signed on November 13, 2013.

The conclusions of the prior audits (November 2013 for Northeast and Orwell and March 2014 for Brainard) overlap with Staff's investigation in this audit (period covering portions of 2012, 2013 and 2014). As such, issues that were raised in prior audits were incorporated by Staff into the scope of this audit. Where appropriate, Staff will identify where the Companies appear to address concerns raised by prior Commission orders.

Issues from the 2012 Commission Opinion and Order

- Request for Proposal (RFP) conducted by the Companies in 2012 for gas procurement (Commission Opinion and Order, page 25)
- Local production, approach to gas purchasing practices, and calculation of cost of local production (Commission Opinion and Order, page 35)
- Fees paid to affiliate entities John D. Oil and Gas Marketing Co., LLC (JDOG) (Commission Opinion and Order, page 41)
- Prudently incurred processing fees to affiliate Cobra Pipeline Co., LTD (Cobra) (Commission Opinion and Order, page 44)

2014 Audit Recommendations

The following is a summary of the Staff's recommendations contained in Sections II through VIII of this report.

Expected Gas Cost - In-House Personnel

Staff recommends that the person responsible for gas procurement for Northeast, Orwell, and Brainard should be completely separate from the person responsible for gas procurement for Gas Natural Resources (GNR). These activities are currently being executed by the same individual. It is Staff's opinion that it can be difficult for the same individual to provide impartial unbiased purchasing decisions on behalf of both regulated and unregulated entities.

Staff believes this recommendation is consistent with Commission policy. In the Commissions' Investigation of Ohio's Retail Electric Service, Case No. 12-3151-EL-COI, the Commission adopted Staff recommendations and stated that any electric distribution utility that does not maintain separate shareholders with any affiliate generation or competitive supplier should file with the Commission its policies and procedures for ensuring compliance with the code of conduct rules contained in Ohio Adm. Code 4901:1-37 within six months of the Order, or a statement conveying that there has been no change in those policies and procedures from those previously approved by the Commission.

The Commission stated it is imperative that utility and affiliate activities undergo vigilant monitoring in order to ensure their compliance with R.C. 4928.17 and Ohio Adm. Code 4901:1-37, furthering Ohio's policies pursuant to R.C. 4928.02.

Staff believes the same risks inherit in the electric market hold true in the natural gas market and therefore recommends that to properly align gas procurement, internal controls should be implemented in order to ensure that no single individual has control over two or more conflicting sensitive transactions.

Transportation Services

Staff recommends that Brainard should file the updated Lake Erie College transportation contract in Case No. 14-948-GA-AEC. Also, as ordered in prior audits, Staff recommends that Brainard should conduct visual meter readings for the large transportation customers within one hour of the Bridge Road Meter reading by Cobra.

Actual Adjustment

Staff recommends a reconciliation adjustment be applied in the first GCR filing following the Opinion and Order in these cases. These adjustments can be seen in Table I, Table II, and Table III.

- Brainard: \$2,329 for an over-collection – Table I
- Northeast: \$856,647 for an over-collection – Table II
- Orwell: \$8,952 for an under-collection - Table III

Refund and Reconciliation Adjustment

Brainard, Northeast, and Orwell did not timely account for the Refund and Reconciliation Adjustment as required in prior Commission orders. In the 2012 and 2013 Opinion and Orders (O&O), the Commission ordered the Companies to apply the reconciliation adjustments to the first GCR filing following the issuance of the O&O in the respective cases. Staff recommends that the Companies include in their future GCR filings the Commission ordered reconciliation adjustments in a timely fashion, consistent with the O&O. Staff also recommends that for delaying the passing back of the 2012 and 2013 Commission ordered reconciliation adjustments, the Companies include in reconciliation adjustments of \$418 in the customers' favor for Brainard, \$38,297 in the customers' favor for Northeast and \$13,064 in the customers' favor for Orwell, as interest for the six months delay.

Balance Adjustment

Staff recommends a reconciliation adjustment be applied in the first GCR filing following the Opinion and Order in this case. These adjustments are shown on Table IV, Table V, and Table VI.

- Brainard: \$2,213 for an over-collection – Table IV
- Northeast: \$182,957 for an over-collection – Table V
- Orwell: \$47,582 for an under-collection – Table VI

Staff recommends that the Companies combine the Actual Adjustment and the Balance Adjustment for single net reconciliation adjustment.

Customer Billing - Revised GCR Rates

Staff recommends that the Company file an application in their GCR case number to amend its GCR rate if the Company determines a revision is necessary after it has already filed its monthly GCR.

Section II

Company Profile

Background

Brainard Gas Corp. (Brainard), Northeast Ohio Natural Gas Company (Northeast) and Orwell Natural Gas Company (Orwell) are local distribution companies (LDC) owned by Gas Natural Inc. (Gas Natural). The Companies' historical background, operations and affiliate connections are explained in detail in this section.

Brainard

Brainard serves two townships, Middlefield and Parkman, in the southeastern portion of Geauga County, Ohio, as well as customers in Lake County. As of June 2014, Brainard served approximately 173 residential and commercial customers on its non-contiguous systems through interconnects with two intrastate pipelines. Brainard also provides transportation service to 23 customers. Brainard is a subsidiary of Gas Natural Inc. (Gas Natural). The Company added 35 residential and commercial customers, and one industrial customer since June 2013.

Power Energy Distribution Inc. (Power Energy) was established in 1997 in Ohio by Mr. Edward Bonk in Case number 97-746-GA-ATA. In 1999, Brainard Gas Corp. was formed and the Commission approved an application that permitted Power Energy to withdraw its tariff so that the exact tariff could be adopted by Brainard Gas Corp. Brainard provided service to the existing Power Energy customers (Case No. 99-825-GA-ATA).

In March 2006, Mr. Bonk sold his Brainard shares to Richard Osborne, Trustee of the Richard M. Osborne Trust. Mr. Osborne was at that time also the Chief Executive Officer (CEO) and chairman of the Orwell Natural Gas Company and sole shareholder of the Lightning Pipeline Company, Inc., the Ohio holding company which owned all of the capital stock of Orwell. Upon transfer of the shares, Orwell took over the operation and maintenance of all Brainard facilities, but Brainard continued to operate as a separate regulated corporate entity (Case No. 06-404-GA-ATR).

Northeast

Northeast Ohio Natural Gas Corporation (Northeast) serves customers located in multiple counties across Ohio including Ashland, Carroll, Columbiana, Coshocton, Cuyahoga, Fairfield, Franklin, Guernsey, Harrison, Hocking, Holmes, Huron, Knox, Lorain, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull, Tuscarawas, Washington, and Wayne counties. As of June 2014, Northeast served approximately 15,186 residential and 1,108 commercial customers on its non-contiguous systems through interconnects with two interstate pipelines, two intrastate pipelines, one local distribution company and local production. Northeast also provides transportation service to 48 customers. Northeast's customer count has risen in all

sectors from the previous audit. Northeast has added an additional 1,088 residential customers, an additional 44 commercial customers, and four new transportation customers.

Northeast was founded in 1986. Portions of Northeast's operations were obtained from the former Ellis T. Myers Company pursuant to the Commission's December 16, 1986 Finding and Order in Case No. 86-2198-GA-ATR. In 1996, Northeast was acquired by Marbel Energy Corporation (Marbel). In 1998, Marbel was acquired by FE Holding, LLC, in a joint venture between FirstEnergy Corporation and Belden & Blake Corporation where both firms were equal owners.

In June 2003, Northeast was purchased by Great Plains Natural Gas Company (Great Plains) based in Mentor, Ohio. Great Plains was owned by Mr. Richard M. Osborne who was also at that time the CEO and chairman of the Orwell Natural Gas. This sale was approved by the Commission in Case No. 03-1229-GA-UNC.

Orwell

Orwell Natural Gas Company is a local distribution company serving customers in Ashtabula, Geauga, Lake, and Trumbull counties. As of June 2014, Orwell served approximately 7,752 residential and 892 commercial customers on four non-contiguous systems through interconnects with two intrastate pipelines, one local distribution company and local production. Orwell also provides transportation service to 83 customers. During the audit period, the number of residential and commercial customers increased by 522 and 32 respectively, while Orwell's transportation service decreased from 93 to 83 customers.

Orwell was formed by Willard Scott in 1986 to serve the Village of Orwell under the provisions of a municipal ordinance. In 1987 Orwell filed an application for approval of rules and regulations governing the distribution and sale of gas which was approved by the Commission on February 29, 1988.

In March 2002, Mr. Scott agreed to transfer all of Orwell's stock to Lightning Pipeline Company, Inc. (Lightning). The transfer of stock was approved by the Commission in Case No. 02-915-GA-UNC on May 21, 2002. Lightning stock was held primarily by Richard M. Osborne.

On February 16, 2007, in Case No. 07-163-GA-ATA, Orwell filed an application to establish rates and tariffs in its unincorporated areas, along with the filing of its gas cost rate (GCR) with the Commission. Prior to this filing Orwell did not file its GCR with the Commission but instead filed its rates with the municipals that it served. On June 27, 2007, the Commission approved Orwell's application and established its initial GCR rate and case number for the filing of its GCRs. In Case No. 08-204-GA-GCR, Staff completed its initial GCR audit of Orwell.

Affiliates

From 2006 through October 2008, Mr. Richard M. Osborne was the sole shareholder of Brainard Gas Corp. (Brainard). During that same period, Orwell Natural Gas Company (Orwell)

was a wholly owned subsidiary of Lightning Pipeline Company (Lightning), and Northeast Ohio Natural Gas Corporation (Northeast) was a wholly owned subsidiary of Great Plains Natural Gas Company (Great Plains). Lightning and Great Plains were owned primarily by the Richard M. Osborne Trust of which Mr. Richard M. Osborne is the sole trustee.

On October 28, 2008, Energy West Incorporated (Energy West), along with Brainard, Orwell and Northeast jointly filed an application with the Commission for approval to transfer stock. With approval of the application, 100% of the stock of these three Ohio gas utilities would be purchased by Energy West. On December 3, 2008, the Commission approved this transfer of stock (Case No. 08-1196-GA-UNC). In August 2009, Energy West completed reorganization into a holding company as the successor to Energy West, now a direct, wholly-owned subsidiary of Gas Natural Inc. (Gas Natural).

On May 15, 2014, the Board of Directors of Gas Natural voted to remove Mr. Richard M. Osborne from the board and replace him with his son, Mr. Gregory Osborne. Gas Natural is a publicly traded company to which Mr. Gregory Osborne is a shareholder, chief executive officer and chairman of the board.

Related Parties

Relative to this audit, the Richard M. Osborne Trust continues to be the majority shareholder for the following companies:

Great Plains Exploration, LLC. (Great Plains)
Cobra Pipeline Co., LTD (Cobra)
Orwell-Trumbull Pipeline Co., LLC (OTP)

John D. Oil and Gas Marketing Co., LLC, (JDOG) was formerly a part of the Richard M. Osborne Trust, but it was sold to Gas Natural Inc. (Gas Natural) in June 2013 and operated as Gas Natural Resources (GNR). For this report, JDOG/GNR is used to refer to this entity.

All of these related parties conducted business with the Companies during the audit period.

Section III

Expected Gas Cost

Staff has reviewed the Companies' calculations of the expected gas cost (EGC) for the audit period. The EGC mechanism attempts to match future gas revenues for the upcoming quarter with the anticipated cost to procure gas supplies. It is calculated by extending 12 month historical purchase volumes from each supplier by the rate that is expected to be in effect during the upcoming period. The cost for each supplier is summed and the total is divided by 12 month historical sales to develop an EGC rate to be applied to customer bills.

In this section, Staff comments on supply sources and supply agreements, where applicable, for all three entities. Next, Staff will make individual entity observations concerning purchase volumes, sales volumes and transportation services.

Supply Sources

Gas supplies for all three entities are delivered from a combination of local production and interstate supplies.

Brainard

The smallest of the three companies, Brainard does not have any direct connections to an interstate pipeline; however volumes are transported to its city-gates through interconnections with intrastate pipelines Cobra Pipeline Co., LTD. (Cobra) and Orwell-Trumbull Pipeline Company, LLC (OTP).

Northeast

Northeast has direct connections to interstate pipelines including Columbia Gas Transmission Corporation (TCO) and Tennessee Gas Pipeline. Northeast also receives gas from Dominion East Ohio (DEO), Cobra, and approximately 17 local producers, the largest of which is Mormack.

Orwell

Orwell's gas supplies are delivered from a combination of local production and interstate supplies, even though it does not have any direct connections to an interstate pipeline. Volumes are transported to its city-gates through interconnections with DEO, Cobra and OTP. Orwell also receives gas from 14 local producers, the largest of which is Independent Energy.

Supply Agreements

For a portion of the audit period (through November 2012), the supply agreements were identical to those noted in Staff's 2012 and 2013 audit reports. Starting December 2012, JDOG/GNR billed the Companies under the provisions of its 2012 bid, submitted in response Gas Natural Service Company (GNS) request for proposal (RFP) for an asset manager.

As a result of the 2012 Opinion and Order the following changes occurred:

- The Commission found GNS's RFP flawed and rejected the selection of JDOG/GNR. This agreement added six cents to every unit of gas purchased by JDOG/GNR.
- Northeast and Orwell lost producers that did not have a direct physical connection to the Companies' distribution system. These local producer contracts were not transferred to Northeast and Orwell but remained with GNR.
- Supply agreements with JDOG/GNR for local production and interstate supplies were terminated and premiums paid to JDOG/GNR were disallowed.
- The local producer contracts which were transferred to Northeast and Orwell appear to be priced appropriately using New York Mercantile Exchange (NYMEX) plus/minus adders that are representative of the market.
- The Companies utilized an in-house employee to procure their gas supplies.

Purchase Volumes

In this audit, the Companies' related party purchases represented all of the purchase volumes and costs billed to the Companies' sales customers through November 2013. Starting December 2013, the Companies utilized in-house personnel to purchase its local and interstate suppliers. As a result of the Commission's 2012 O&O that disallowed any JDOG/GNR premium, Staff in this audit has priced all purchases at the cost incurred and has eliminated all premium charges.

Staff has reviewed the purchase volumes filed by the Companies in its GCR filings and found the following observations for the audit period:

Brainard

Brainard purchase volumes for the period were 59,831 Mcf. Imbalances were decreased on Cobra by 4,876 Dth from 5,279 Dth to 403 Dth. This reduced purchase volumes into the Brainard system to 54,955 Mcf. Staff has reviewed the volumes purchased by the Company and found that approximately 92 percent of the audit period supplies were received through Cobra with the remaining eight percent delivered by OTP.

Northeast

Northeast purchase volumes for the period were 5,765,006 Mcf. Staff has reviewed the volumes purchased by the Company and found that approximately 31 percent of the audit period supplies were received through DEO, with 26 percent delivered from TCO, 31 percent from Cobra, with local production and Gatherco representing 11 percent and less than one percent from Tennessee Gas Pipeline.

Orwell

Orwell purchase volumes for the period were 2,016,206 Mcf. Staff has reviewed the volumes purchased by the Company and found that approximately 17 percent of the audit period supplies were received through DEO, with 27 percent delivered from TCO, and 56 percent delivered from OTP.

Sales Volumes

Staff reviewed the Companies' meter reading and billing register summaries for the months during the audit period to ensure the sales volumes were properly calculated and summed each month for inclusion in the company's GCR. Staff has the following observations for the audit period:

Free gas is gas that is delivered directly to a specific customer under a contractual agreement. The gas may be at no charge in exchange for access to a well or pipeline infrastructure. In prior audits, the Company had not properly accounted for free gas which inflated sales volumes. Staff found that the free gas issues for all entities that existed in prior audits were corrected and no free gas was found included in sales gas. Staff removed all free gas from sales volumes. Staff found that the sales volumes for the audit period match the volumes in the Company's daily reports and volume summaries.

For Brainard and Orwell, during the course of the audit, it was discovered that from November 2013 to May 2014, several Brainard customers were incorrectly billed by the Orwell system. In June 2014, the Company corrected this error by removing the various volumes and charges from Orwell's accounts and included the appropriate volumes and charges in Brainard's accounts. Rather than a one-time adjustment in June, Staff adjusted sales volumes for each month that was affected in order to properly account for the cost of gas for each period. This approach explains the variations between the Brainard and Orwell filings and Staff calculations for sales volumes for the period.

Brainard

Brainard sales volumes for the audit period were 70,202 Mcf.

Northeast

Northeast sales volumes for the period were 5,242,293 Mcf.

Orwell

Orwell sales volumes for the audit period were 1,972,931 Mcf.

Transportation Services**Brainard**

Brainard provided transportation service to eight customers on its system, the largest of which is Hans Rothenbuhler & Son Inc. The eight customers represent the vast majority (87 percent) of the company's through-put volumes. Brainard transported 178,335 Mcf in the last six months of the audit and 300,351 Mcf in the last 12 months.

Three of the eight transportation customers are serviced under the tariff rates while five customers receive service under special contracts. In the prior audit, the Company was ordered to file all special contracts with the Commission for approval. The company filed these contracts in Case No. 14-948-GA-AEC. During the course of the audit, Staff discovered that one contract (Lake Erie College) had been amended and the updated version had not yet been filed in the docket. Staff reviewed the special contracts and found that these contracts were offered in response to competitive threat from another local distribution company. Staff determined that three of the special contract customers and at least two of the tariff transportation customers were being supplied gas by JDOG/GNR.

For this audit, Staff was provided with meter reading summaries for sales and transportation customers. The reading of the meter on the first day of the month coincides with Cobra's reading of its Bridge Road meter (the city-gate meter for Brainard). Cobra electronically reads its Bridge Road meter at 10:00 am on the first of the month, every month. In the prior audit, Brainard was ordered to conduct visual meter readings of its transportation customers within one hour of the electronic reading of the Bridge Road meter. This is important so that Brainard can differentiate volumes attributed to large transportation customers from volumes assigned to sales customers. Brainard's meter readings for the two largest transportation customers occurred within the prescribed one hour for seven of the 18 months covered by this audit.

Northeast

Northeast provides transportation service to 66 customers on its system with Marathon Petroleum being its largest transportation customer. For the last six months of the audit period, Northeast transported approximately 1.9 Bcf of gas and approximately 4 Bcf over the last 12 months.

Orwell

Orwell provides transportation service to 96 customers on its system with Masco Cabinetry LLC being its largest transportation customer. For the last six months of the audit period, Orwell transported approximately 750,000 Mcf of gas and approximately 1.1 Bcf over the last 12 months.

Conclusions

Supply Agreements

Starting December 2013, the Companies utilized an in-house employee to procure their interstate and local production supplies which complies with the 2012 O&O. However, this individual is employed by the regulated entity and by the affiliated entity JDOG/GNR. As such, there exists potential issues with the purchasing of regulated and unregulated supplies.

Purchase Volumes

For Northeast and Orwell, the purchase volumes appear to be higher in comparison to sales volumes than they have been in the past audits. For Brainard, purchase volumes appear to be lower in comparison to sales volume. Staff believes that these variances are associated with several factors including: Btu content on local production and interstate supplies, system loss, inclusion and exclusion of storage volumes in the calculation, and in the case of Brainard, the timing of the audit period of January 2013 to June 2014 and the differences in meter reading times.

Sales Volumes

Brainard and Orwell sales volumes were adjusted to account for the customer billing issue mentioned above. Northeast sales volumes were correctly reported.

Transportation Services

Brainard's updated Lake Erie College transportation contract has not been filed. Also, excessive timing differences continue to exist between Cobra's 10:00 am electronic meter read and the Brainard's visual read of its largest transportation customers.

Recommendations

Supply Agreements

Staff recommends that as the person responsible for gas procurement for Northeast, Orwell, and Brainard should be completely separate from the person responsible for gas procurement for Gas Natural Resources (GNR). These activities are currently being executed by the same individual and it is Staff's experience that it can be difficult for the same individual to provide impartial unbiased purchasing decisions on behalf of both regulated and unregulated entities.

Transportation Services

Staff recommends that Brainard should file the updated Lake Erie College transportation contract in Case No. 14-948-GA-AEC. Also, as ordered in prior audits, Staff recommends that Brainard should conduct visual meter readings for the large transportation customers within one hour of the Bridge Road Meter reading by Cobra.

Section IV

Actual Adjustment

The Actual Adjustment (AA) reconciles the monthly cost of purchased gas with the Expected Gas Cost (EGC) billing rate. It is calculated by dividing the total cost of gas purchases for each month of the three-month reporting quarter by total sales for those respective months. The result is the unit book cost of gas, which is the cost incurred by the company for procuring each Mcf it sold that month. That unit book cost for each month is compared with the EGC rate which was billed for that quarter. The difference between each monthly unit cost and the EGC, whether positive or negative, is multiplied by the respective monthly jurisdictional sales to identify the total of under or over-recoveries of gas costs. The monthly under- or over-recoveries are summed and divided by the 12 month historic jurisdictional sales to develop an Actual Adjustment rate to be included in the GCR for four quarters.

Errors in the Actual Adjustment calculation can result from incorrectly reported purchase gas costs, errors in the stated sales volumes and from the use of the wrong EGC rate.

Staff in its review of the company's monthly purchased gas costs and volumes started with the monthly summary sheets provided to Staff in the course of the audit. Staff constructed its calculation to resemble the company's monthly summary sheets and then inputted the invoiced costs.

As a result of the prior Commission orders, Staff included local production costs as the costs paid to the local producers and any associated transportation charges, thus eliminating any premiums paid to JDOG/GNR for all three entities, and any Cobra processing fees for Northeast. Staff relied upon the contracts between JDOG/GNR and producers that were in place during the audit period. Staff was provided with these contracts during the audit.

Brainard

As noted above, Staff calculated the purchase gas costs using invoices from interstate supplies and eliminated the premiums charged by JDOG/GNR and agency fees on interstate supply purchases. Staff also reduced the Cobra monthly meter fee of \$125 to reflect the transportation volumes that pass through the Bridge Road meter.

Northeast

In Northeast's prior audit, Staff accounted for the imbalance volumes on Cobra and TCO for the purpose of calculating storage balances. Staff did not do so in this audit. Staff was informed by the Company that it had stopped maintaining storage balances in late 2011 and was going to pass through the cost of gas in the month that it was purchased due to the problems of calculating storage costs that has arisen the past. At the start of this audit period, Staff

eliminated all storage by including the volumes and costs in March 2012. However, in December 2012 and January 2013, the Company included for recovery storage withdraws of \$338,094 and \$46,949, respectively in purchase costs and volumes. Staff was unable to identify the source of these storage withdraws and therefore did not include the costs nor volumes in its calculations.

Orwell

Staff developed a calculation that it used for the entire audit period and made several adjustments. As noted above, Staff calculated the purchase gas costs using the contracts that were provided during the audit and has eliminated the premiums charged by JDOG/GNR on local production purchases and all agency fees. Staff also adjusted the telemetering fee charged by Orwell-Trumbull Pipeline to account for transportation volumes. Staff adjusted the rate calculations for Heck House/Harrison Shop to make them more consistent and to eliminate any JDOG/GNR fees and premiums. Some of the rates paid to local producers were also adjusted because they exceeded contract rates.

Finally, Staff adjusted the costs associated with the price of gas for March 2014. Orwell agreed to pay \$56.00 per Dekatherm (Dth) for 9,000 Dth of gas purchased at the end of February 2014 and delivered in March 2014. For comparison purposes, the NYMEX price for the same period was \$4.855. Staff was not able to determine that the company acted prudently with regard to the \$56 purchase. Staff reviewed the limited documentation provided by Orwell (Northeast Data Request 19) surrounding the events leading up to this transaction and found that the correspondence necessary to complete this transaction and other transactions that were conducted to flow supplies into Spelman Pipeline Holdings LLC. (Spelman) were not available.

During the winter of 2013 – 2014, gas prices were elevated due to the prolonged extreme winter weather and by mid-February 2014, supplies flowing west to east were physically constrained. Based on the limited documentation that was provided, it appears the Company made the situation even more difficult because of four factors. The first factor was Orwell's dependence on a supplier. Second, was the Company's response to the physical constraints that exist for west to east supplies and the impact these constraints have on commodity pricing. Third, was Orwell's focus on securing supplies from its single supplier diminished its consideration of alternative supply deliveries into Orwell-Trumbull Pipeline (OTP) as the physical constraints for supplies flowing from west to east became progressively worse. And finally, Orwell's inherited credit issues from its prior asset manager JDOG/GNR.

Staff does not believe that the Company's purchase of 9,000 dekatherms at \$56.00 Dth was its least cost option nor its only option for delivering supplies into OTP. The Company's focus on supply deliveries from the single supplier into OTP resulted in the exclusion of other supply and alternative delivery path options and ignored earlier market signals. These market signals existed throughout the winter season, yet the Company did not pursue nor consider eastern supply options until its system's integrity was in jeopardy. The Company continued to focus solely on west side suppliers and failed to evaluate other lower cost sources of supply. Staff

recommends a price of \$6.7233 Dth for 9,000 dekatherms, instead of the \$56 Dth. Staff recommends that the price be a blended rate based on gas prices into TCO for the period.

Recommendations

Staff has calculated the purchased gas cost for Brainard, Northeast and Orwell excluding the items noted above. Staff calculations have resulted in differences for each quarter. The differences between the Staff and Company calculations in the AA are not self-correcting through the GCR mechanism. Staff recommends the following reconciliation adjustments, also shown in Table I, Table II, and Table III. This reconciliation adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

- Brainard: \$2,329 for an over-collection – Table I
- Northeast: \$856,647 for an over-collection – Table II
- Orwell: \$8,952 for an under-collection - Table III

Table I
Brainard Natural Gas Company
Actual Adjustment

	<u>Per Staff</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>AA</u>	<u>Difference</u>
Quarter End: Mar-13	Supply Cost \$	\$19,562	\$17,032	\$13,489		
	Jur. Sales MCF	4,188	6,035	5,010		
	Total Sales MCF	4,188	6,035	5,010		
	Book Cost \$/ MCF	\$4.6709	\$2.8222	\$2.6924		
	EGCS/MCF	\$4.9709	\$5.4421	\$5.0861		
	Diff. \$/MCF	(\$0.3000)	(\$2.6199)	(\$2.3937)		
	Cost Diff. \$	(\$1,256)	(\$15,811)	(\$11,992)	(\$29,060)	
	<u>Per Company</u>					
	Supply Cost \$	\$19,945	\$17,368	\$13,765		
	Jur. Sales MCF	4,188	6,035	5,010		
	Total Sales MCF	4,188	6,035	5,010		
	Book Cost \$/ MCF	\$4.7623	\$2.8778	\$2.7473		
	EGCS/MCF	\$4.9709	\$5.4421	\$5.0861		
	Diff. \$/MCF	(\$0.2086)	(\$2.5643)	(\$2.3388)		
	Cost Diff. \$	(\$874)	(\$15,476)	(\$11,718)	(\$28,068)	(\$992)
	<u>Per Staff</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>	<u>AA</u>	<u>Difference</u>
Quarter End: Jun-13	Supply Cost \$	\$11,414	\$9,540	\$4,432		
	Jur. Sales MCF	4,929	2,657	1,254		
	Total Sales MCF	4,929	2,657	1,254		
	Book Cost \$/ MCF	\$2.3158	\$3.5904	\$3.5341		
	EGCS/MCF	\$5.5160	\$5.1210	\$5.3668		
	Diff. \$/MCF	(\$3.2002)	(\$1.5306)	(\$1.8327)		
	Cost Diff. \$	(\$15,774)	(\$4,067)	(\$2,298)	(\$22,139)	
	<u>Per Company</u>					
	Supply Cost \$	\$11,672	\$9,780	\$4,605		
	Jur. Sales MCF	4,929	2,657	1,254		
	Total Sales MCF	4,929	2,657	1,254		
	Book Cost \$/ MCF	\$2.3679	\$3.6808	\$3.6729		
	EGCS/MCF	\$5.5160	\$5.3647	\$5.3668		
	Diff. \$/MCF	(\$3.1481)	(\$1.6839)	(\$1.6939)		
	Cost Diff. \$	(\$15,517)	(\$4,474)	(\$2,124)	(\$22,115)	(\$24)

Table I
Brainard Natural Gas Company
Actual Adjustment

	<u>Per Staff</u>	<u>Jul-13</u>	<u>Aug-13</u>	<u>Sep-13</u>	<u>AA</u>	<u>Difference</u>
Quarter End:	Supply Cost \$	\$3,222	\$3,596	\$2,115		
	Jur. Sales MCF	978	889	876		
Sep-13	Total Sales MCF	978	889	876		
	Book Cost \$/MCF	\$3.2942	\$4.0448	\$2.4149		
	EGCS/MCF	\$4.5911	\$3.8046	\$3.7904		
	Diff. \$/MCF	(\$1.2969)	\$0.2402	(\$1.3755)		
	Cost Diff. \$	(\$1,268)	\$214	(\$1,205)	(\$2,260)	
	<u>Per Company</u>					
	Supply Cost \$	\$3,390	\$3,773	\$2,234		
	Jur. Sales MCF	978	889	876		
	Total Sales MCF	978	889	876		
	Book Cost \$/MCF	\$3.4680	\$4.2456	\$2.5494		
	EGCS/MCF	\$4.5911	\$3.8046	\$3.7904		
	Diff. \$/MCF	(\$1.1231)	\$0.4410	(\$1.2410)		
	Cost Diff. \$	(\$1,098)	\$392	(\$1,088)	(\$1,794)	(\$466)
	<u>Per Staff</u>					
Quarter End:	Supply Cost \$	\$6,439	\$14,121	\$17,899		
	Jur. Sales MCF	984	1,726	4,223		
Dec-13	Total Sales MCF	984	1,726	4,223		
	Book Cost \$/MCF	\$6.5434	\$8.1817	\$4.2387		
	EGCS/MCF	\$3.7365	\$3.7347	\$3.7420		
	Diff. \$/MCF	\$2.8069	\$4.4470	\$0.4967		
	Cost Diff. \$	\$2,762	\$7,675	\$2,097	\$12,534	
	<u>Per Company</u>					
	Supply Cost \$	\$6,556	\$14,229	\$17,899		
	Jur. Sales MCF	984	1,699	3,874		
	Total Sales MCF	984	1,699	3,874		
	Book Cost \$/MCF	\$6.6613	\$8.3756	\$4.6202		
	EGCS/MCF	\$3.6623	\$3.7347	\$3.7420		
	Diff. \$/MCF	\$2.9990	\$4.6409	\$0.8782		
	Cost Diff. \$	\$2,952	\$7,884	\$3,402	\$14,238	(\$1,704)

Brainard Natural Gas Company
Actual Adjustment

[illegible]

Table II
Northeast Ohio Natural Gas Corporation
Actual Adjustment

	<u>Per Staff</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>AA</u>	<u>Difference</u>
Quarter End: May-12	Supply Cost \$	\$862,767	\$429,890	\$287,947		
	Jur. Sales MCF	243,633	131,411	115,282		
	Total Sales MCF	243,633	131,411	115,282		
	Book Cost \$/ MCF	\$3.5413	\$3.2713	\$2.4978		
	EGCS/MCF	\$4.6672	\$4.3646	\$4.6264		
	Diff. \$/MCF	(\$1.1259)	(\$1.0933)	(\$2.1286)		
	Cost Diff. \$	(\$274,306)	(\$143,672)	(\$245,389)	(\$663,367)	
	<u>Per Company</u>					
	Supply Cost \$	\$825,082	\$445,721	\$299,590		
	Jur. Sales MCF	243,633	131,411	115,282		
	Total Sales MCF	243,633	131,411	115,282		
	Book Cost \$/ MCF	\$3.3866	\$3.3918	\$2.5988		
	EGCS/MCF	\$4.6672	\$4.3646	\$4.6264		
	Diff. \$/MCF	(\$1.2806)	(\$0.9728)	(\$2.0276)		
	Cost Diff. \$	(\$311,997)	(\$127,837)	(\$233,745)	(\$673,579)	\$10,212
	<u>Per Staff</u>	<u>Jun-12</u>	<u>Jul-12</u>	<u>Aug-12</u>	<u>AA</u>	<u>Difference</u>
Quarter End: Aug-12	Supply Cost \$	\$262,295	\$333,438	\$399,115		
	Jur. Sales MCF	60,584	49,605	56,684		
	Total Sales MCF	60,584	49,605	56,684		
	Book Cost \$/ MCF	\$4.3294	\$6.7219	\$7.0411		
	EGCS/MCF	\$4.7299	\$5.3307	\$5.4639		
	Diff. \$/MCF	(\$0.4005)	\$1.3912	\$1.5772		
	Cost Diff. \$	(\$24,264)	\$69,010	\$89,402	\$134,149	
	<u>Per Company</u>					
	Supply Cost \$	\$273,185	\$368,499	\$420,472		
	Jur. Sales MCF	60,584	49,605	56,684		
	Total Sales MCF	60,584	49,605	56,684		
	Book Cost \$/ MCF	\$4.5092	\$7.4287	\$7.4178		
	EGCS/MCF	\$4.7299	\$5.3307	\$5.4639		
	Diff. \$/MCF	(\$0.2207)	\$2.0980	\$1.9539		
	Cost Diff. \$	(\$13,371)	\$104,071	\$110,755	\$201,455	(\$67,306)

Table II
Northeast Ohio Natural Gas Corporation
Actual Adjustment

	<u>Per Staff</u>	<u>Sep-12</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>AA</u>	<u>Difference</u>
Quarter End: Nov-12	Supply Cost \$	\$277,984	\$528,378	\$805,993		
	Jur. Sales MCF	55,973	77,091	164,742		
	Total Sales MCF	55,973	77,091	164,742		
	Book Cost \$/ MCF	\$4.9664	\$6.8540	\$4.8925		
	EGCS/MCF	\$5.1133	\$5.5906	\$5.7508		
	Diff. \$/MCF	(\$0.1469)	\$1.2634	(\$0.8583)		
	Cost Diff. \$	(\$8,222)	\$97,397	(\$141,398)	(\$52,224)	
	<u>Per Company</u>					
	Supply Cost \$	\$294,875	\$559,017	\$832,209		
	Jur. Sales MCF	55,973	77,091	164,742		
	Total Sales MCF	55,973	77,091	164,742		
	Book Cost \$/ MCF	\$5.2682	\$7.2514	\$5.0516		
	EGCS/MCF	\$5.2412	\$5.7185	\$5.8787		
	Diff. \$/MCF	\$0.0270	\$1.5329	(\$0.8271)		
	Cost Diff. \$	\$1,511	\$118,173	(\$136,258)	(\$16,574)	(\$35,650)
	<u>Per Staff</u>	<u>Dec-12</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>AA</u>	<u>Difference</u>
Quarter End: Feb-13	Supply Cost \$	\$1,064,967	\$1,602,977	\$1,849,331		
	Jur. Sales MCF	229,518	324,822	342,468		
	Total Sales MCF	229,518	324,822	342,468		
	Book Cost \$/ MCF	\$4.6400	\$4.9349	\$5.4000		
	EGCS/MCF	\$6.1974	\$5.3004	\$4.6235		
	Diff. \$/MCF	(\$1.5574)	(\$0.3655)	\$0.7765		
	Cost Diff. \$	(\$357,451)	(\$118,722)	\$265,926	(\$210,247)	
	<u>Per Company</u>					
	Supply Cost \$	\$1,444,586	\$1,706,084	\$1,905,259		
	Jur. Sales MCF	229,518	324,822	342,468		
	Total Sales MCF	229,518	324,822	342,468		
	Book Cost \$/ MCF	\$6.2940	\$5.2524	\$5.5633		
	EGCS/MCF	\$6.1974	\$5.3004	\$4.6235		
	Diff. \$/MCF	\$0.0966	(\$0.0480)	\$0.9398		
	Cost Diff. \$	\$22,171	(\$15,591)	\$321,851	\$328,431	(\$538,678)

Table II
Northeast Ohio Natural Gas Corporation
Actual Adjustment

	<u>Per Staff</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>AA</u>	<u>Difference</u>
Quarter End: May-13	Supply Cost \$	\$1,581,775	\$1,358,008	\$839,890		
	Jur. Sales MCF	333,966	281,261	130,559		
	Total Sales MCF	333,966	281,261	130,559		
	Book Cost \$/ MCF	\$4.7363	\$4.8283	\$6.4330		
	EGCS/MCF	\$4.8066	\$4.4476	\$6.5215		
	Diff. \$/MCF	(\$0.0703)	\$0.3807	(\$0.0885)		
	Cost Diff. \$	(\$23,478)	\$107,076	(\$11,554)	\$72,044	
	<u>Per Company</u>					
	Supply Cost \$	\$1,632,622	\$883,089	\$1,393,725		
	Jur. Sales MCF	333,966	281,261	130,559		
	Total Sales MCF	333,966	281,261	130,559		
	Book Cost \$/ MCF	\$4.8886	\$3.1397	\$10.6750		
	EGCS/MCF	\$4.8066	\$4.4475	\$6.5215		
	Diff. \$/MCF	\$0.0820	(\$1.3079)	\$4.1535		
	Cost Diff. \$	\$27,385	(\$367,862)	\$542,278	\$201,801	(\$129,757)
	<u>Per Staff</u>	<u>Jun-13</u>	<u>Jul-13</u>	<u>Aug-13</u>	<u>AA</u>	<u>Difference</u>
Quarter End: Aug-13	Supply Cost \$	\$410,473	\$365,325	\$409,171		
	Jur. Sales MCF	85,745	64,598	53,534		
	Total Sales MCF	85,745	64,598	53,534		
	Book Cost \$/ MCF	\$4.7871	\$5.6554	\$7.6432		
	EGCS/MCF	\$7.0009	\$7.0727	\$7.2924		
	Diff. \$/MCF	(\$2.2138)	(\$1.4173)	\$0.3508		
	Cost Diff. \$	(\$189,822)	(\$91,555)	\$18,780	(\$262,597)	
	<u>Per Company</u>					
	Supply Cost \$	\$428,262	\$381,550	\$425,121		
	Jur. Sales MCF	85,745	64,598	53,534		
	Total Sales MCF	85,745	64,598	53,534		
	Book Cost \$/ MCF	\$4.9946	\$5.9065	\$7.9411		
	EGCS/MCF	\$7.0009	\$7.0727	\$7.2924		
	Diff. \$/MCF	(\$2.0063)	(\$1.1662)	\$0.6487		
	Cost Diff. \$	(\$172,030)	(\$75,334)	\$34,728	(\$212,636)	(\$49,961)

Table II
Northeast Ohio Natural Gas Corporation
Actual Adjustment

	<u>Per Staff</u>	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>AA</u>	<u>Difference</u>
Quarter	Supply Cost \$	\$402,304	\$655,679	\$1,042,764		
End:	Jur. Sales MCF	69,037	77,397	183,516		
Nov-13	Total Sales MCF	69,037	77,397	183,516		
	Book Cost \$/ MCF	\$5.8274	\$8.4716	\$5.6821		
	EGCS/MCF	\$6.8081	\$6.1428	\$5.2217		
	Diff. \$/MCF	(\$0.9807)	\$2.3288	\$0.4604		
	Cost Diff. \$	(\$67,705)	\$180,242	\$84,491	\$197,028	
	<u>Per Company</u>					
	Supply Cost \$	\$416,769	\$672,341	\$1,060,062		
	Jur. Sales MCF	69,037	77,397	183,516		
	Total Sales MCF	69,037	77,397	183,516		
	Book Cost \$/ MCF	\$6.0369	\$8.6869	\$5.7764		
	EGCS/MCF	\$6.8081	\$6.1428	\$5.2217		
	Diff. \$/MCF	(\$0.7712)	\$2.5441	\$0.5547		
	Cost Diff. \$	(\$53,241)	\$196,905	\$101,796	\$245,460	(\$48,432)
	<u>Per Staff</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>AA</u>	<u>Difference</u>
Quarter	Supply Cost \$	\$1,681,742	\$2,078,229	\$3,652,364		
End:	Jur. Sales MCF	311,036	414,015	494,900		
Feb-14	Total Sales MCF	311,036	414,015	494,900		
	Book Cost \$/ MCF	\$5.4069	\$5.0197	\$7.3800		
	EGCS/MCF	\$5.2662	\$5.8238	\$6.4865		
	Diff. \$/MCF	\$0.1407	(\$0.8041)	\$0.8935		
	Cost Diff. \$	\$43,763	(\$332,909)	\$442,193	\$153,046	
	<u>Per Company</u>					
	Supply Cost \$	\$1,689,956	\$2,045,124	\$3,656,581		
	Jur. Sales MCF	311,036	414,015	494,900		
	Total Sales MCF	311,036	414,015	494,900		
	Book Cost \$/ MCF	\$5.4333	\$4.9397	\$7.3885		
	EGCS/MCF	\$5.2662	\$5.8238	\$6.4865		
	Diff. \$/MCF	\$0.1671	(\$0.8841)	\$0.9020		
	Cost Diff. \$	\$51,974	(\$366,030)	\$446,400	\$132,344	\$20,702

Table II
Northeast Ohio Natural Gas Corporation
Actual Adjustment

	<u>Per Staff</u>	<u>Mar-14</u>	<u>Apr-14</u>	<u>May-14</u>	<u>AA</u>	<u>Difference</u>
Quarter End:	Supply Cost \$	\$2,308,827	\$1,480,732	\$1,202,763		
	Jur. Sales MCF	378,281	279,354	149,676		
May-14	Total Sales MCF	378,281	279,354	149,676		
	Book Cost \$/ MCF	\$6.1035	\$5.3006	\$8.0358		
	EGCS/MCF	\$6.5062	\$5.7627	\$5.7569		
	Diff. \$/MCF	(\$0.4027)	(\$0.4621)	\$2.2789		
	Cost Diff. \$	(\$152,334)	(\$129,089)	\$341,097	\$59,673	
	<u>Per Company</u>					
	Supply Cost \$	\$2,303,053	\$1,506,937	\$1,197,907		
	Jur. Sales MCF	378,281	279,354	149,676		
	Total Sales MCF	378,281	279,354	149,676		
	Book Cost \$/ MCF	\$6.0882	\$5.3944	\$8.0033		
	EGCS/MCF	\$6.5062	\$5.7627	\$5.5769		
	Diff. \$/MCF	(\$0.4180)	(\$0.3683)	\$2.2464		
	Cost Diff. \$	(\$158,121)	(\$102,886)	\$336,233	\$75,226	(\$15,553)
	<u>Per Staff</u>	<u>Jun-14</u>	<u>Jul-14</u>	<u>Aug-14</u>	<u>AA</u>	<u>Difference</u>
Quarter End:	Supply Cost \$	\$605,888	\$0	\$0		
	Jur. Sales MCF	83,605	0	0		
Aug-14	Total Sales MCF	83,605	0	0		
	Book Cost \$/ MCF	\$7.2470	\$0.0000	\$0.0000		
	EGCS/MCF	\$5.1264	\$0.0000	\$0.0000		
	Diff. \$/MCF	\$2.1206	\$0.0000	\$0.0000		
	Cost Diff. \$	\$177,293	\$0	\$0	\$177,293	
	<u>Per Company</u>					
	Supply Cost \$	\$608,112	\$0	\$0		
	Jur. Sales MCF	83,605	0	0		
	Total Sales MCF	83,605	0	0		
	Book Cost \$/ MCF	\$7.2736	\$0.0000	\$0.0000		
	EGCS/MCF	\$5.1264	\$0.0000	\$0.0000		
	Diff. \$/MCF	\$2.1472	\$0.0000	\$0.0000		
	Cost Diff. \$	\$179,517	\$0	\$0	\$179,517	(\$2,224)
						(\$856,647)

Table III
Orwell Natural Gas Company
Actual Adjustment

	<u>Per Staff</u>	<u>Jul-12</u>	<u>Aug-12</u>	<u>Sep-12</u>	<u>AA</u>	<u>Difference</u>
Quarter End:	Supply Cost \$	\$82,040	\$73,720	\$126,585		
	Jur. Sales MCF	20,372	12,038	16,662		
Sep-12	Total Sales MCF	20,372	12,038	16,662		
	Book Cost \$/ MCF	\$4.0271	\$6.1240	\$7.5972		
	EGCS/MCF	\$5.0201	\$5.2376	\$5.1188		
	Diff. \$/MCF	(\$0.9930)	\$0.8864	\$2.4784		
	Cost Diff. \$	(\$20,229)	\$10,670	\$41,295	\$31,736	
	<u>Per Company</u>					
	Supply Cost \$	\$86,015	\$77,466	\$130,325		
	Jur. Sales MCF	20,372	12,038	16,662		
	Total Sales MCF	20,372	12,038	16,662		
	Book Cost \$/ MCF	\$4.2200	\$6.4400	\$7.8200		
	EGCS/MCF	\$5.0200	\$5.2400	\$5.1200		
	Diff. \$/MCF	(\$0.8000)	\$1.2000	\$2.7000		
	Cost Diff. \$	(\$16,298)	\$14,446	\$44,987	\$43,135	(\$11,399)
-						
	<u>Per Staff</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-12</u>	<u>AA</u>	<u>Difference</u>
Quarter End:	Supply Cost \$	\$223,798	\$472,970	\$638,864		
	Jur. Sales MCF	31,400	80,785	96,861		
Dec-12	Total Sales MCF	31,400	80,785	96,861		
	Book Cost \$/ MCF	\$7.1273	\$5.8547	\$6.5957		
	EGCS/MCF	\$5.4838	\$5.8508	\$6.1288		
	Diff. \$/MCF	\$1.6435	\$0.0039	\$0.4669		
	Cost Diff. \$	\$51,606	\$315	\$45,224	\$97,145	
	<u>Per Company</u>					
	Supply Cost \$	\$226,039	\$475,629	\$650,188		
	Jur. Sales MCF	31,400	80,785	96,861		
	Total Sales MCF	31,400	80,785	96,861		
	Book Cost \$/ MCF	\$7.1987	\$5.8900	\$6.7100		
	EGCS/MCF	\$5.4900	\$6.1300	\$5.8500		
	Diff. \$/MCF	\$1.7087	(\$0.2400)	\$0.8600		
	Cost Diff. \$	\$53,653	(\$19,388)	\$83,300	\$117,565	(\$20,420)

Table III
Orwell Natural Gas Company
Actual Adjustment

	<u>Per Staff</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>AA</u>	<u>Difference</u>
Quarter End:	Supply Cost \$	\$789,767	\$745,437	\$752,196		
	Jur. Sales MCF	157,699	130,635	141,159		
Mar-13	Total Sales MCF	157,699	130,635	141,159		
	Book Cost \$/ MCF	\$5.0081	\$5.7063	\$5.3287		
	EGCS/MCF	\$5.8743	\$5.3697	\$5.0565		
	Diff. \$/MCF	(\$0.8662)	\$0.3366	\$0.2722		
	Cost Diff. \$	(\$136,599)	\$43,972	\$38,423	(\$54,204)	
	<u>Per Company</u>					
	Supply Cost \$	\$801,505	\$755,724	\$766,808		
	Jur. Sales MCF	157,699	130,165	141,159		
	Total Sales MCF	157,699	130,165	141,159		
	Book Cost \$/ MCF	\$5.0800	\$5.7900	\$5.4300		
	EGCS/MCF	\$5.8700	\$5.3700	\$5.0600		
	Diff. \$/MCF	(\$0.7900)	\$0.4200	\$0.3700		
	Cost Diff. \$	(\$124,582)	\$54,669	\$52,229	(\$17,684)	(\$36,520)
-						
-						
	<u>Per Staff</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>	<u>AA</u>	<u>Difference</u>
Quarter End:	Supply Cost \$	\$502,940	\$214,316	\$185,414		
	Jur. Sales MCF	117,299	51,915	29,051		
Jun-13	Total Sales MCF	117,299	51,915	29,051		
	Book Cost \$/ MCF	\$4.2877	\$4.1282	\$6.3824		
	EGCS/MCF	\$5.8108	\$5.9472	\$6.3547		
	Diff. \$/MCF	(\$1.5231)	(\$1.8190)	\$0.0277		
	Cost Diff. \$	(\$178,658)	(\$94,433)	\$805	(\$272,287)	
	<u>Per Company</u>					
	Supply Cost \$	\$514,981	\$222,105	\$192,834		
	Jur. Sales MCF	117,299	51,915	29,051		
	Total Sales MCF	117,299	51,915	29,051		
	Book Cost \$/ MCF	\$4.3900	\$4.2800	\$6.6400		
	EGCS/MCF	\$5.8100	\$5.9500	\$6.3500		
	Diff. \$/MCF	(\$1.4200)	(\$1.6700)	\$0.2900		
	Cost Diff. \$	(\$166,565)	(\$86,698)	\$8,425	(\$244,838)	(\$27,449)

Table III
Orwell Natural Gas Company
Actual Adjustment

	<u>Per Staff</u>	<u>Jul-13</u>	<u>Aug-13</u>	<u>Sep-13</u>	<u>AA</u>	<u>Difference</u>
Quarter End: Sep-13	Supply Cost \$	\$103,771	\$103,913	\$93,574		
	Jur. Sales MCF	18,598	18,177	17,511		
	Total Sales MCF	18,598	18,177	17,511		
	Book Cost \$/ MCF	\$5.5797	\$5.7167	\$5.3437		
	EGCS/MCF	\$5.6667	\$5.4958	\$5.7495		
	Diff. \$/MCF	(\$0.0870)	\$0.2209	(\$0.4058)		
	Cost Diff. \$	(\$1,618)	\$4,015	(\$7,106)	(\$4,709)	
	<u>Per Company</u>					
	Supply Cost \$	\$115,144	\$112,643	\$100,870		
	Jur. Sales MCF	18,598	18,177	17,511		
Quarter End: Dec-13	Total Sales MCF	18,598	18,177	17,511		
	Book Cost \$/ MCF	\$6.1900	\$6.2000	\$5.7600		
	EGCS/MCF	\$5.6700	\$5.5000	\$5.7500		
	Diff. \$/MCF	\$0.5200	\$0.7000	\$0.0100		
	Cost Diff. \$	\$9,671	\$12,724	\$175	\$22,570	(\$27,279)
	<u>Per Staff</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>AA</u>	<u>Difference</u>
	Supply Cost \$	\$244,681	\$566,426	\$812,111		
	Jur. Sales MCF	23,783	75,754	134,498		
	Total Sales MCF	23,783	75,754	134,498		
	Book Cost \$/ MCF	\$10.2881	\$7.4772	\$6.0381		
Quarter End: Dec-13	EGCS/MCF	\$5.3003	\$5.6215	\$5.5242		
	Diff. \$/MCF	\$4.9878	\$1.8557	\$0.5139		
	Cost Diff. \$	\$118,625	\$140,577	\$69,119	\$328,320	
	<u>Per Company</u>					
	Supply Cost \$	\$250,005	\$574,195	\$813,300		
	Jur. Sales MCF	23,783	75,781	134,847		
	Total Sales MCF	23,783	75,781	134,847		
	Book Cost \$/ MCF	\$10.5100	\$7.5800	\$6.0300		
	EGCS/MCF	\$5.3000	\$5.6200	\$5.5200		
	Diff. \$/MCF	\$5.2100	\$1.9600	\$0.5100		
	Cost Diff. \$	\$123,909	\$148,531	\$68,772	\$341,212	(\$12,892)

Table III
Orwell Natural Gas Company
Actual Adjustment

	<u>Per Staff</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>AA</u>	<u>Difference</u>
Quarter End: Mar-14	Supply Cost \$	\$1,540,801	\$2,191,975	\$1,130,283		
	Jur. Sales MCF	185,207	235,298	161,439		
	Total Sales MCF	185,207	235,298	161,439		
	Book Cost \$/ MCF	\$8.3193	\$9.3158	\$7.0013		
	EGCS/MCF	\$5.7163	\$7.0912	\$11.0798		
	Diff. \$/MCF	\$2.6030	\$2.2246	(\$4.0785)		
	Cost Diff. \$	\$482,094	\$523,443	(\$658,429)	\$347,107	
	<u>Per Company</u>					
	Supply Cost \$	\$1,541,792	\$2,210,057	\$1,577,406		
	Jur. Sales MCF	185,686	236,088	162,024		
	Total Sales MCF	185,686	236,088	162,024		
	Book Cost \$/ MCF	\$8.3000	\$9.3600	\$9.7400		
	EGCS/MCF	\$6.2100	\$7.0900	\$9.9500		
	Diff. \$/MCF	\$2.0900	\$2.2700	(\$0.2100)		
	Cost Diff. \$	\$388,084	\$535,920	(\$34,025)	\$889,978	\$145,473
	<u>Per Staff</u>	<u>Apr-14</u>	<u>May-14</u>	<u>Jun-14</u>	<u>AA</u>	<u>Difference</u>
Quarter End: Jun-14	Supply Cost \$	\$472,998	\$247,535	\$109,955		
	Jur. Sales MCF	128,173	58,349	30,268		
	Total Sales MCF	128,173	58,349	30,268		
	Book Cost \$/ MCF	\$3.6903	\$4.2423	\$3.6327		
	EGCS/MCF	\$6.1171	\$6.2786	\$5.7238		
	Diff. \$/MCF	(\$2.4268)	(\$2.0363)	(\$2.0911)		
	Cost Diff. \$	(\$311,050)	(\$118,816)	(\$63,293)	(\$493,160)	
	<u>Per Company</u>					
	Supply Cost \$	\$475,096	\$248,387	\$111,017		
	Jur. Sales MCF	128,676	58,349	30,268		
	Total Sales MCF	128,676	58,349	30,268		
	Book Cost \$/ MCF	\$3.6900	\$4.2600	\$3.6700		
	EGCS/MCF	\$6.1200	\$6.2800	\$5.7200		
	Diff. \$/MCF	(\$2.4300)	(\$2.0200)	(\$2.0500)		
	Cost Diff. \$	(\$312,683)	(\$117,865)	(\$62,049)	(\$492,597)	(\$563)

\$8,953

Section V

Refund and Reconciliation Adjustment

The Refund and Reconciliation Adjustment (RA) is used to pass through the jurisdictional portion of refunds received from gas suppliers and adjustments ordered by the Commission. Annual interest of 10 percent is applied to the net jurisdictional amount of the RA, which is then divided by 12 months of historic sales volumes to develop a unit rate to be included in the GCR calculation for four quarters.

Staff has reviewed the RA calculated by the Companies and found that all three entities delayed initiating the refunding of the reconciliation adjustment ordered by the Commission in the prior audit. In the 2012 and 2013 Opinion and Orders (O&O), the Commission ordered the Companies to apply the reconciliation adjustments to the first GCR filing following the issuance of the O&O in the respective cases.

Brainard

The Company filed its RA in October 2014, seven months after the Commission Opinion and Order was issued. The Company should have filed the ordered adjustments of \$8,351 in the customers' favor in April.

Northeast

The Company filed its RA in August 2014, seven months after the Commission Opinion and Order was issued. The Company should have filed the ordered adjustments of \$765,936 in the customers' favor in February.

Orwell

The Company filed its RA in August 2014, seven months after the Commission Opinion and Order was issued. The Company should have filed the ordered adjustments of \$261,283 in the customers' favor in February.

Recommendations

Staff recommends that the Companies include in their future GCR filings the Commission ordered reconciliation adjustments in a timely fashion, consistent with the O&O. Staff also recommends that for delaying the passing back of the 2012 and 2013 Commission ordered reconciliation adjustments, the Companies include in reconciliation adjustments of \$418 in the customers' favor for Brainard, \$38,297 in the customers' favor for Northeast and \$13,064 in the customers' favor for Orwell, as interest for the six months delay.

Section VI

Balance Adjustment

The Balance Adjustment (BA) mechanism corrects for under- or over- recoveries of previously calculated Actual Adjustments (AA) and Refund and Reconciliation Adjustments (RA). The BA is calculated by subtracting the product of the respective AA, and RA rate and the sales to which those rates were applied from the dollar amounts of the respective AA and RA previously included in the GCR and used to generate those adjustment rates. Since those adjustment rates themselves were derived by dividing the dollar amounts by historic sales, the BA calculation depicts the differences in revenues generated for each of these adjustment mechanisms using actual versus historical sales. The sum of the differences for the AA and RA calculations is the total BA for the quarter, which is then combined with the quarterly AA adjustment and divided by 12 months of historical sales to obtain a new AA rate to be included in the GCR. Errors detected in the BA generally are the result of incorrectly reported sales volumes, but also may be due to selecting an incorrect rate from previous AA and RA calculations.

Brainard and Orwell

In the case of Brainard and Orwell, Staff adjusted for the customer billing error as noted in previous sections. This affected the BA for Brainard and Orwell.

Northeast

There were errors by Northeast in all but two of the quarterly calculations. The first error resulted when the Company did not carry through for 12 consecutive months the proper rate. This resulted in an adjustment of \$51,674 in the customer's favor. There is one quarter in which Northeast did not properly sequence the inclusion of an AA amounts and the corresponding rate. There were four quarters when the Company improperly included the RA amount and rate.

Orwell

There was an error in the sales volume reported by Orwell for the 12 month period ending March 2013. This resulted in an error of \$51,205 in the company's favor and was the largest error. A volume error for the 12 month period ending March 2014 resulted in a \$3,391 error in the customers' favor. There were other small errors related to volumes. The total adjustment is \$47,582 in favor of the company.

Recommendations

The differences between the Staff and the companies' calculations of the BA are not self-correcting through the GCR mechanism. Staff recommends the following reconciliation adjustments, also shown in Table IV, Table V, and Table VI.

- Brainard: \$2,213 for an over-collection – Table IV
- Northeast: \$182,957 for an over-collection – Table V
- Orwell: \$47,582 for an under-collection – Table VI

These reconciliation adjustments should be applied in the first GCR filing following the Opinion and Order in this case.

Table IV
Brainard Natural Gas Company
Balance Adjustment

	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
Year	Adjustment \$	\$13,600	\$0	\$0		
End:	Rate \$/MCF	\$0.4177	\$0.0000	\$0.0000		
Mar-13	Sales MCF	29,296	29,296	29,296		
	Recovery \$	\$12,237	\$0	\$0		
	Balance \$	\$1,363	\$0	\$0	\$1,363	
	<u>Per Company</u>					
	Adjustment \$	\$13,600	\$0	\$0		
	Rate \$/MCF	\$0.4177	\$0.0000	\$0.0000		
	Sales MCF	29,297	0	0		
	Recovery \$	\$12,237	\$0	\$0		
	Balance \$	\$1,363	\$0	\$0	\$1,363	\$0
	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
Year	Adjustment \$	\$20,138	\$0	\$0		
End:	Rate \$/MCF	\$0.7797	\$0.0000	\$0.0000		
Jun-13	Sales MCF	32,350	32,350	32,350		
	Recovery \$	\$25,223	\$0	\$0		
	Balance \$	(\$5,085)	\$0	\$0	(\$5,085)	
	<u>Per Company</u>					
	Adjustment \$	\$20,138	\$0	\$0		
	Rate \$/MCF	\$0.7797	\$0.0000	\$0.0000		
	Sales MCF	32,351	0	0		
	Recovery \$	\$25,224	\$0	\$0		
	Balance \$	(\$5,086)	\$0	\$0	(\$5,086)	\$1

Table IV
Brainard Natural Gas Company
Balance Adjustment

	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
Year	Adjustment \$	(\$6,515)	\$0	\$0		
End:	Rate \$/MCF	(\$0.2528)	\$0.0000	\$0.0000		
Sep-13	Sales MCF	32,563	32,563	32,563		
	Recovery \$	(\$8,232)	\$0	\$0		
	Balance \$	\$1,717	\$0	\$0	\$1,717	
	<u>Per Company</u>					
	Adjustment \$	\$6,515	\$0	\$0		
	Rate \$/MCF	\$0.2528	\$0.0000	\$0.0000		
	Sales MCF	32,563	0	0		
	Recovery \$	\$8,232	\$0	\$0		
	Balance \$	(\$1,717)	\$0	\$0	(\$1,717)	\$3,434
	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
Year	Adjustment \$	(\$9,410)	(\$109,584)	\$0		
End:	Rate \$/MCF	(\$0.3687)	(\$3.2014)			
Dec-13	Sales MCF	33,749	32,637	32,637		
	Recovery \$	(\$12,443)	(\$104,200)	\$0		
	Balance \$	\$3,033	(\$5,384)	\$0	(\$2,351)	
	<u>Per Company</u>					
	Adjustment \$	(\$9,410)	\$0	\$0		
	Rate \$/MCF	\$0.3687	\$0.0000	\$0.0000		
	Sales MCF	33,373	0	0		
	Recovery \$	(\$12,305)	\$0	\$0		
	Balance \$	\$2,895	\$0	\$0	\$2,895	(\$5,246)

Table IV
Brainard Natural Gas Company
Balance Adjustment

	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
Year	Adjustment \$	\$4,154	\$0	\$0		
End:	Rate \$/MCF	\$0.1786	\$0.0000	\$0.0000		
Mar-14	Sales MCF	42,045	42,045	42,045		
	Recovery \$	\$7,509	\$0	\$0		
	Balance \$	(\$3,355)	\$0	\$0	(\$3,355)	
	<u>Per Company</u>					
	Adjustment \$	\$4,154	\$0	\$0		
	Rate \$/MCF	\$0.1786	\$0.0000	\$0.0000		
	Sales MCF	39,797	0	0		
	Recovery \$	\$7,108	\$0	\$0		
	Balance \$	(\$2,954)	\$0	\$0	(\$2,954)	(\$401)
	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
Year	Adjustment \$	(\$26,705)	\$0	\$0		
End:	Rate \$/MCF	(\$0.9115)	\$0.0000	\$0.0000		
Jun-14	Sales MCF	46,129	46,129	46,129		
	Recovery \$	(\$42,047)	\$0	\$0		
	Balance \$	\$15,342	\$0	\$0	\$15,342	
	<u>Per Company</u>					
	Adjustment \$	(\$26,705)	\$0	\$0		
	Rate \$/MCF	(\$0.9115)	\$0.0000	\$0.0000		
	Sales MCF	46,130	0	0		
	Recovery \$	(\$42,047)	\$0	\$0		
	Balance \$	\$15,342	\$0	\$0	\$15,342	(\$0)
						(\$2,213)

Table V
Northeast Ohio Natural Gas Corporation
Balance Adjustment

	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
Year	Adjustment \$	(\$494,648)	\$0	\$0		
End:	Rate \$/MCF	(\$0.2658)	\$0.0000	\$0.0000		
May-12	Sales MCF	1,661,347	1,661,347	1,661,347		
	Recovery \$	(\$389,912)	\$0	\$0		
	Balance \$	(\$104,736)	\$0	\$0	(\$104,736)	
	<u>Per Company</u>					
	Adjustment \$	(\$494,648)	\$0	\$0		
	Rate \$/MCF	(\$0.2658)	\$0.0000	\$0.0000		
	Sales MCF	1,661,347	0	0		
	Recovery \$	(\$441,586)	\$0	\$0		
	Balance \$	(\$53,062)	\$0	\$0	(\$53,062)	(\$51,674)
	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
Year	Adjustment \$	(\$1,714,863)	\$0	\$0		
End:	Rate \$/MCF	(\$0.8811)	\$0.0000	\$0.0000		
Aug-12	Sales MCF	1,676,074	1,676,074	1,676,074		
	Recovery \$	(\$1,476,789)	\$0	\$0		
	Balance \$	(\$238,074)	\$0	\$0	(\$238,074)	
	<u>Per Company</u>					
	Adjustment \$	(\$1,714,863)	\$0	\$0		
	Rate \$/MCF	(\$0.8811)	\$0.0000	\$0.0000		
	Sales MCF	1,676,074	0	0		
	Recovery \$	(\$1,476,789)	\$0	\$0		
	Balance \$	(\$238,074)	\$0	\$0	(\$238,074)	(\$0)

Table V
Northeast Ohio Natural Gas Corporation
Balance Adjustment

	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
Year	Adjustment \$	\$291,605	\$0	\$0		
End:	Rate \$/MCF	\$0.1493	\$0.0000	\$0.0000		
Nov-12	Sales MCF	1,730,034	1,730,034	1,730,034		
	Recovery \$	\$258,294	\$0	\$0		
	Balance \$	\$33,311	\$0	\$0	\$33,311	
	<u>Per Company</u>					
	Adjustment \$	(\$1,714,863)	\$517,736	\$0		
	Rate \$/MCF	(\$0.8811)	\$0.2651	\$0.0000		
	Sales MCF	1,730,034	1,807,277	0		
	Recovery \$	(\$1,524,333)	\$479,109	\$0		
	Balance \$	(\$190,530)	\$38,627	\$0	(\$151,903)	\$185,214
	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
Year	Adjustment \$	\$723,454	\$517,736	\$0		
End:	Rate \$/MCF	\$0.3693	\$0.2651	\$0.0000		
Feb-13	Sales MCF	1,851,813	1,851,813	1,851,813		
	Recovery \$	\$807,208	\$479,109	\$0		
	Balance \$	(\$83,754)	\$38,627	\$0	(\$45,127)	
	<u>Per Company</u>					
	Adjustment \$	\$723,454	\$706,382	\$0		
	Rate \$/MCF	\$0.3693	\$0.2830	\$0.0000		
	Sales MCF	1,851,812	1,851,812	0		
	Recovery \$	\$683,874	\$524,032	\$0		
	Balance \$	\$39,580	\$182,350	\$0	\$221,930	(\$267,057)

Table V
Northeast Ohio Natural Gas Corporation
Balance Adjustment

	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
Year	Adjustment \$	(\$386,418)	\$0	\$0		
End:	Rate \$/MCF	(\$0.2184)	\$0.0000	\$0.0000		
May-13	Sales MCF	2,107,273	2,107,273	2,107,273		
	Recovery \$	(\$460,228)	\$0	\$0		
	Balance \$	\$73,810	\$0	\$0	\$73,810	
	<u>Per Company</u>					
	Adjustment \$	(\$386,418)	\$706,382	\$0		
	Rate \$/MCF	(\$2,184.0000)	\$0.3150	\$0.0000		
	Sales MCF	2,107,273	2,107,273	0		
	Recovery \$	(\$460,228)	\$663,872	\$0		
	Balance \$	\$73,810	\$42,510	\$0	\$116,320	(\$42,510)
	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
Year	Adjustment \$	(\$726,641)	\$0	\$0		
End:	Rate \$/MCF	(\$0.4374)	\$0.0000	\$0.0000		
Aug-13	Sales MCF	2,088,304	2,088,304	2,088,304		
	Recovery \$	(\$937,907)	\$0	\$0		
	Balance \$	\$211,266	\$0	\$0	\$211,266	
	<u>Per Company</u>					
	Adjustment \$	(\$726,641)	\$706,382	\$0		
	Rate \$/MCF	(\$0.4374)	\$0.3234	\$0.0000		
	Sales MCF	2,144,277	2,144,277	0		
	Recovery \$	(\$937,907)	\$693,397	\$0		
	Balance \$	\$211,266	\$12,985	\$0	\$224,251	(\$12,985)

Table V
Northeast Ohio Natural Gas Corporation
Balance Adjustment

	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
Year	Adjustment \$	(\$36,619)	\$0	\$0		
End:	Rate \$/MCF	(\$0.0218)	\$0.0000	\$0.0000		
Nov-13	Sales MCF	2,176,421	2,176,421	2,176,421		
	Recovery \$	(\$47,446)	\$0	\$0		
	Balance \$	\$10,827	\$0	\$0	\$10,827	
	<u>Per Company</u>					
	Adjustment \$	\$291,605	\$706,382	\$0		
	Rate \$/MCF	\$0.1493	\$0.3618	\$0.0000		
	Sales MCF	2,176,421	2,176,421	0		
	Recovery \$	\$324,940	\$787,429	\$0		
	Balance \$	(\$33,335)	(\$81,047)	\$0	(\$114,382)	\$125,209
	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
Year	Adjustment \$	(\$168,477)	\$706,382	\$0		
End:	Rate \$/MCF	(\$0.0974)	\$0.3618	\$0.0000		
Feb-14	Sales MCF	2,499,564	2,499,564	2,499,564		
	Recovery \$	(\$210,929)	\$849,192	\$0		
	Balance \$	\$42,452	(\$142,810)	\$0	(\$100,358)	
	<u>Per Company</u>					
	Adjustment \$	(\$36,619)	\$0	\$0		
	Rate \$/MCF	(\$0.0218)	\$0.0000	\$0.0000		
	Sales MCF	2,541,972	2,541,972	0		
	Recovery \$	(\$55,415)	\$0	\$0		
	Balance \$	\$18,796	\$0	\$0	\$18,796	(\$119,154)

[illegible]

Table VI
Orwell Natural Gas Company
Balance Adjustment

	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
12 months ending Sep-12	Adjustment \$	(\$180,077)	\$0	\$0		
	Rate \$/MCF	(\$0.2116)	\$0.0000	\$0.0000		
	Sales MCF	711,298	711,298	711,298		
	Recovery \$	(\$150,511)	\$0	\$0		
	Balance \$	(\$29,566)	\$0	\$0	(\$29,566)	
	<u>Per Company</u>					
	Adjustment \$	(\$180,077)	\$0	\$0		
	Rate \$/MCF	(\$0.2116)	\$0.0000	\$0.0000		
	Sales MCF	709,246	709,246	0		
	Recovery \$	(\$150,076)	\$0	\$0		
	Balance \$	(\$30,001)	\$0	\$0	(\$30,001)	\$435
	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
12 months ending Dec-12	Adjustment \$	(\$4,079)	(\$1,017,453)	\$0		
	Rate \$/MCF	(\$0.0048)	(\$1.1929)	\$0.0000		
	Sales MCF	737,388	768,476	768,476		
	Recovery \$	(\$3,539)	(\$916,715)	\$0		
	Balance \$	(\$540)	(\$100,738)	\$0	(\$101,277)	
	<u>Per Company</u>					
	Adjustment \$	(\$4,079)	(\$1,017,453)	\$0		
	Rate \$/MCF	(\$0.0048)	(\$1.1929)	\$0.0000		
	Sales MCF	737,388	768,476	0		
	Recovery \$	(\$3,539)	(\$916,715)	\$0		
	Balance \$	(\$540)	(\$100,738)	\$0	(\$101,278)	\$1

Table VI
Orwell Natural Gas Company
Balance Adjustment

	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
12 months ending	Adjustment \$	\$251,276	\$0	\$0		
	Rate \$/MCF	\$0.3026	\$0.0000	\$0.0000		
Mar-13	Sales MCF	806,981	806,981	806,981		
	Recovery \$	\$244,192	\$0	\$0		
	Balance \$	\$7,084	\$0	\$0	\$7,084	
	<u>Per Company</u>					
	Adjustment \$	\$251,276	(\$23,242)	\$0		
	Rate \$/MCF	\$0.3026	(\$0.0238)	\$0.0000		
	Sales MCF	976,195	976,195	0		
	Recovery \$	\$295,397	\$0	\$0		
	Balance \$	(\$44,121)	\$0	\$0	(\$44,121)	\$51,205
	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
12 months ending	Adjustment \$	(\$35,393)	\$0	\$0		
	Rate \$/MCF	(\$0.0473)	\$0.0000	\$0.0000		
Jun-13	Sales MCF	885,876	885,876	885,876		
	Recovery \$	(\$41,902)	\$0	\$0		
	Balance \$	\$6,509	\$0	\$0	\$6,509	
	<u>Per Company</u>					
	Adjustment \$	(\$35,393)	\$0	\$0		
	Rate \$/MCF	(\$0.0473)	\$0.0000	\$0.0000		
	Sales MCF	885,878	885,878	0		
	Recovery \$	(\$41,902)	\$0	\$0		
	Balance \$	\$6,509	\$0	\$0	\$6,509	(\$0)

Table VI
Orwell Natural Gas Company
Balance Adjustment

	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
12 months ending Sep-13	Adjustment \$	(\$251,283)	\$0	\$0		
	Rate \$/MCF	(\$0.3547)	\$0.0000	\$0.0000		
	Sales MCF	891,090	891,090	891,090		
	Recovery \$	(\$316,070)	\$0	\$0		
	Balance \$	\$64,787	\$0	\$0	\$64,787	
	<u>Per Company</u>					
	Adjustment \$	(\$251,283)	\$0	\$0		
	Rate \$/MCF	\$0.3547	\$0.0000	\$0.0000		
	Sales MCF	891,091	891,091	0		
	Recovery \$	\$316,070	\$0	\$0		
	Balance \$	\$64,787	\$0	\$0	\$64,787	(\$0)
	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
12 months ending Dec-13	Adjustment \$	\$13,195	\$0	\$0		
	Rate \$/MCF	\$0.0186	\$0.0000	\$0.0000		
	Sales MCF	916,079	916,079	916,079		
	Recovery \$	\$17,039	\$0	\$0		
	Balance \$	(\$3,844)	\$0	\$0	(\$3,844)	
	<u>Per Company</u>					
	Adjustment \$	\$13,195	\$0	\$0		
	Rate \$/MCF	\$0.0186	\$0.0000	\$0.0000		
	Sales MCF	916,455	916,455	0		
	Recovery \$	\$17,046	\$0	\$0		
	Balance \$	(\$3,851)	\$0	\$0	(\$3,851)	\$7

Table VI
Orwell Natural Gas Company
Balance Adjustment

	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
12 months ending	Adjustment \$	\$16,469	\$0	\$0		
	Rate \$/MCF	\$0.0223	\$0.0000	\$0.0000		
Mar-14	Sales MCF	1,068,530	1,068,530	1,068,530		
	Recovery \$	\$23,828	\$0	\$0		
	Balance \$	(\$7,359)	\$0	\$0	(\$7,359)	
	<u>Per Company</u>					
	Adjustment \$	\$16,469	\$0	\$0		
	Rate \$/MCF	\$0.0223	\$0.0000	\$0.0000		
	Sales MCF	916,455	1,070,760	0		
	Recovery \$	\$20,437	\$0	\$0		
	Balance \$	(\$3,968)	\$0	\$0	(\$3,968)	(\$3,391)
	<u>Per Staff</u>	<u>AA</u>	<u>RA</u>	<u>BA</u>	<u>Total BA</u>	<u>Difference</u>
12 months ending	Adjustment \$	(\$61,700)	(\$23,242)	\$0		
	Rate \$/MCF	\$0.0632	(\$0.0238)	\$0.0000		
Jun-14	Sales MCF	1,087,055	1,087,055	1,087,055		
	Recovery \$	(\$68,702)	(\$25,872)	\$0		
	Balance \$	\$7,002	\$2,630	\$0	\$9,632	
	<u>Per Company</u>					
	Adjustment \$	(\$61,700)	(\$23,242)	\$0		
	Rate \$/MCF	(\$0.0632)	(\$0.0238)	\$0.0000		
	Sales MCF	1,089,787	1,089,787	0		
	Recovery \$	(\$68,875)	(\$25,937)	\$0		
	Balance \$	\$7,175	\$2,695	\$0	\$9,870	(\$238)

\$47,582

Section VII

Unaccounted-For Gas

Unaccounted-for gas (UFG) is the difference between gas purchase volumes and sale volumes. It is calculated on a 12 month basis, ending in one of the low usage summer months, so as to minimize the effects of unbilled volumes on the calculation. Chapter 4901:1-14-08(F)(3), Ohio Administrative Code, specifies that the Commission may adjust the Company's future GCR rates as a result of UFG above a reasonable level, presumed to be no more than five percent for the audit period.

Brainard

Staff's UFG analysis examined the volumes delivered by Cobra through its Bridge Road Meter converted to Mcf and the volumes billed by Orwell-Trumbull Pipeline Co. LLC (OTP). The volumes delivered by Cobra represented 92 percent of the volumes received by Brainard. The volumes delivered by Cobra and OTP were compared to the sales volumes and transportation volumes behind the Cobra Bridge Road Meter.

Staff compared the deliveries from Cobra and OTP to the sales and transportation volumes for the 18 month audit period and found that the UFG level was negative .14 percent for the period January 2013 to December 2013 and negative .33 percent for the 12 month period of July 2013 to June 2014. The results of Staff's analysis are shown below. The imbalances that appear in the system are offset over the 18 month audit period.

Brainard Annual UFG Rates				
12 Months Ended	Receipts - In Mcf	Deliveries - Out Mcf	UFG Mcf	UFG Percent
December 2013	285,313	285,701	(388)	(0.14)
June 2014	301,344	302,343	(998)	(0.33)

Northeast

In the 2012 audit, Staff found the Company's UFG levels were slightly negative. Staff found in this audit Northeast's UFG to be a slight negative.

Northeast Annual UFG Rates				
24 Months Ended	Receipts - In Mcf	Deliveries - Out Mcf	UFG Mcf	UFG Percent
June 2014	5,210,982	5,242,293	-31,311	-0.60%

Orwell

In the 2012 audit, Staff found the Company's UFG to be slightly negative. Staff finds in this audit that the Company experienced slight increase in its UFG as shown below.

Orwell Annual UFG Rates				
24 Months Ended	Receipts - In Mcf	Deliveries - Out Mcf	UFG Mcf	UFG Percent
June 2014	1,936,425	1,972,931	-36,504	-1.89%

Section VIII

Customer Billing

An important component in the GCR process is the proper application of GCR rates to customer bills. Staff randomly selected invoices for each month during the audit period to verify GCR and base rates, along with the customer charges applied to each account.

Staff did not identify any customer billing errors for the three entities based on the sampling for the audit period.

Brainard and Orwell

In Staff's review of customer billing, it was discovered that the Companies filed multiple GCR filings within a single month (Brainard – August 2013; Orwell – May 2014). Staff used the revised filing to audit customer billing.

Recommendation

Staff recommends that the Company file an application in their GCR case number to amend its GCR rate if the Company determines a revision is necessary after it has already filed its monthly GCR.