

FILE

6

RECEIVED-DOCKETING DIV

2015 MAR 27 PM 2:07

PUCO

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

Waterville Gas and Oil Company

**Audit of the Uncollectible Expense Mechanisms
for the period January 2013 through December 2014
Case Number 15-317-GA-UEx**

March 27, 2015

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 SM Date Processed MAR 27 2015

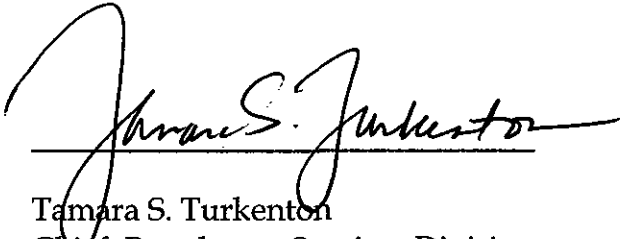
Ohio

**Public Utilities
Commission**

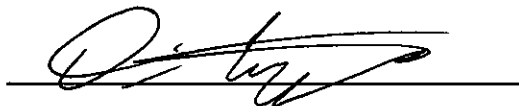
Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of the Waterville Gas and Oil Company (Waterville or Company) Uncollectible Expense (UEX) rider rates for January 2013 through December 2014. The Staff audited the material as set forth in the Commission Entry in Case No. 15-317-GA-UEx.

Our audits have revealed certain findings, as discussed in this audit report, which should be addressed in this proceeding. The Staff notes that at the time of preparing this report, unless otherwise noted, Waterville 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.



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



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

Waterville Gas and Oil Company Uncollectible Expense Rider

Introduction

In Case No. 03-1127-GA-UNC, the Commission authorized the concept of an uncollectible accounts expense recovery mechanism for five natural gas companies. The mechanism approved allowed for recovery of actual bad/uncollectible debt through a rider, rather than through base rates.

Background

On October 11, 2007, in Case No. 07-194-GA-AIR, Waterville entered into a stipulation to resolve issues related to its rate case. As a result of the stipulation, Waterville established its initial uncollectible expense rider (UEX) similar to those approved in Case No. 03-1127-GA-UNC. On November 20, 2007, the Commission approved the stipulation and the uncollectible expense mechanism which was set at three cents (3) per Mcf.

On August 19, 2009, in Case No. 08-1229-GA-COI, In the Matter of the Five-Year Review of Natural Gas Company Uncollectible Expense Riders, the Commission required natural gas companies, including Waterville, to file annual reports detailing their bad debt accounts and calculations regarding the recovery of bad debt accounts.

Staff's Review

Staff reviewed Waterville's collection practices and procedures, which were revised November 10, 2010 and found that sufficient attempts were made to collect on past due accounts. The Company's policy is to write-off bad debt accounts 60 days following a customer's last payment and to immediately write-off accounts upon official notification of a bankruptcy filing by a customer. In previous UEX audits of local distribution companies (LDCs), Staff has recommended that the LDCs write-off accounts for non-payment at a minimum of 60 days to a maximum 180 days.¹

Waterville reported that nine customer accounts totaling \$1,680.58 were written-off as bad debt and also reported that \$445.46 was recovered from current and previously written-off accounts during the audit period.

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).

Waterville Gas and Oil Company
Case No. 15-317-GA-UEx

Waterville does not employ an outside collection agency to attempt recovery of bad debts due to the small number of write-offs annually. Rather the company issues monthly statements to the customer of record for a minimum of two months following the write-off. No additional charges are added to the bill; only the amount written-off is stated. If a customer does not respond to the Company's repeated attempts to collect, Waterville files a claim seeking judgment against the customer in small claims court. Once judgment is granted, Waterville notifies collection bureaus of the judgment.

Staff's analysis of the Company's write-off practices found they did not follow their procedures of writing off bad debt accounts 60 days following a customer's last payment. Waterville took 131.25 days to write-off an account on average during the audit period. This is an increase of 12.86 days from the prior audit. However, the Company does meet recommendations set by Staff in that accounts are written-off no later than 180 days.

During the audit, Waterville provided Staff with letters issued to each customer notifying them of potential court action if payment is not made. The letters stated they will seek legal action for judgment for the amount due, plus court costs and an interest penalty. The Company stated the court costs and interest are not applied to customer accounts, but instead are paid by the Company's general account.

Staff recommends that Waterville include court costs and any interest into the Annual Balance Reconciliations (ABRs) for recovery, starting in 2015. Staff views the cost akin to collection costs and the costs were not part of the Company's last base rate case.

Staff verified the Company's write-offs as reported on its ABR. The Company's write-offs were sourced from its Uncollectible Accounts Expense Rider Detail summaries (summaries). These summaries contained the following information: customer's name, account number, month and balance at the time of write off, any subsequent payments, any legal action taken by Waterville, service off date, and last payment date. All amounts written-off were confirmed through recalculating the accounts by Staff.

Staff then reviewed the recoveries collected from customers during the audit period. Staff was able to confirm, by reviewing Company records, that amounts collected were accurately reported on the ABR.

Waterville's UEX Rider rate changed two times during the audit period. From January 2013 through June 2013, the rider rate was \$0.0080 per Mcf. The applicable UEX Rider rate for the period of July 2013 through May 2014 was \$(0.0043). Waterville's current UEX Rider rate is set at \$0.0036 per Mcf, effective June 2014. All rate changes were approved by Commission order.

Due to the rate changes taking effect during the audit period, Staff reviewed the amount of recoveries for July 2013 and June 2014 to insure the rate was accurately applied. Staff determined

Waterville Gas and Oil Company
Case No. 15-317-GA-UEx

Waterville accurately applied the amount of sales volumes with the applicable Commission approved UEX rider rate.

Staff also reviewed customer bills for the July 2013 and June 2014 time periods. Staff determined that Waterville applied the appropriate UEX Rider rates to customer accounts.

Per Commission Order signed on December 17, 2003 in Case No. 03-1127-GA-UNC, local distribution companies such as Waterville are to "annually file with the Commission (each May) a report that identifies amounts recovered, deferred, and, as applicable, amortized pursuant to the [UEX] mechanism." Waterville complied with this Order during the audit period.

Staff's Findings

All accounts written-off as bad debt and all recoveries collected from bad debt accounts were verified by Staff.

Waterville accurately applied the appropriate UEX Rider rate to customer bills throughout the audit period.

Waterville accurately applied the appropriate UEX Rider rate to monthly sales volumes throughout the audit period.

Staff agreed with the Company's ending 2014 balance.

Waterville exceeded its written policy of writing-off an account at the 60 day time period. However, the Company met Staff recommendations by writing-off accounts by the 180 day cap.

The Company does not include court costs plus interest for recovery under the UEX rider.

Staff's Recommendations

Staff recommends that Waterville adhere to its written policy of writing-off a bad debt account at 60 days from the date of the customer's last payment.

Staff recommends that beginning in 2015, they include court costs and interest for recovery under the UEX rider.

The Public Utilities Commission of Ohio
John R. Kasich, Governor
Thomas W. Johnson, Chairman

180 E. Broad Street, Columbus, Ohio 43215-3793
800 | 686-PUCO (7826)

An Equal Opportunity Employer and Service Provider