

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Audit of the)
CHOICE/SSO/SCO Reconciliation Rider)
of Columbia Gas of Ohio, Inc. for April 1,) Case No. 15-221-GA-EXR
2014, through March 31, 2015, and)
Related Matters.)

In the Matter of the Uncollectible)
Expense Rider Audit for April 2014,)
through March 2015, and Rider) Case No. 15-321-GA-UEx
Adjustment for the Costs Incurred in)
2014, for Columbia Gas of Ohio, Inc.)

In the Matter of the Percentage of Income)
Payment Plan Rider Audit for April 2014,)
through March 2015, and Rider) Case No. 15-421-GA-PIP
Adjustment for the Costs Incurred in)
2014 for Columbia Gas of Ohio, Inc.)

FINDING AND ORDER

The Commission finds:

Background and History

- (1) Columbia Gas of Ohio, Inc. (Columbia) is a natural gas company as defined by R.C. 4905.03 and a public utility as defined in 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) Pursuant to R.C. 4905.302, natural gas companies implement purchased gas adjustment mechanisms, which allow them to adjust the rates they charge customers in accordance with any fluctuation in the cost the company incurs for the gas it sells to customers. R.C. 4905.302 also directs the Commission to audit the companies' gas cost recovery (GCR) rates and to review each company's production and purchasing policies and their effect upon the rates.

- (3) R.C. 4929.04, among other things, authorizes the Commission, upon the application of a natural gas company such as Columbia, to exempt any commodity sales service or ancillary service from all provisions of R.C. Chapter 4905, including the GCR provisions contained in R.C. 4905.302.
- (4) By Opinion and Order issued December 2, 2009, in accordance with R.C. 4929.04, the Commission authorized Columbia to proceed with its plan to eliminate its GCR mechanism. *In re Columbia Gas of Ohio, Inc.*, Case No. 08-1344-GA-EXM (*Columbia SSO Case*), Opinion and Order (Dec. 2, 2009).
- (5) 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.
- (6) By Opinion and Order issued December 17, 2003, the Commission approved an application filed by five gas distribution companies, including Columbia, requesting authorization to recover uncollectible expenses (UEX) through riders. *In re Columbia Gas of Ohio, Inc., et al.*, Case No. 03-1127-GA-ATA (*UEX Case*), Opinion and Order (Dec. 17, 2003). A requirement of the Order in the *UEX 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.
- (7) Furthermore, the Commission has authorized the utility companies, including Columbia, to recover percentage of income payment plan (PIPP) arrearages associated with providing natural gas service through their PIPP rider. *In re Establishment of Recovery Method for Percentage of Income Payment Plan*, Case No. 87-244-GE-UNC, Finding and Order (Aug. 4, 1987).
- (8) By Entry issued July 1, 2015, the Commission initiated the financial audits of Columbia's CSRR, UEX, and PIPP riders. The CSRR audit was for the period April 1, 2014, through March 31, 2015. The UEX audit was for April 2014, through March 2015.

The PIPP audit was for rates effective April 2014, through March 2015. Columbia's auditor was directed to docket its audit findings for the CSRR rider in Case No. 15-221-GA-EXR (*Columbia 2015 EXR Case*); audit findings for the UEX rider in Case No. 15-321-GA-UEX (*Columbia 2015 UEX Case*); and audit findings for the PIPP rider in Case No. 15-421-GA-PIP (*Columbia 2015 PIPP Case*). The auditor, selected by Columbia, was directed to docket all three audit reports in their respective dockets by October 2, 2015. Interested parties were directed to file comments and reply comments by October 16, 2015, and October 30, 2015, respectively.

CSRR Rider Audit

- (9) The audit report for the CSRR rider, for the period April 1, 2014, through March 31, 2015, was filed on September 24, 2015, in the *Columbia 2015 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 several exceptions. On October 16, 2015, Columbia filed comments concerning the CSRR audit. No reply comments concerning the CSRR audit were filed. D&T's findings regarding the CSRR audit and Columbia's responses are summarized below.
- (10) First, D&T compared the CSRR rider to approved tariff sheets, and found that Columbia included a customer education cost recovery allowance rate of \$0.0020 rather than the applicable \$0.0077 in the January 2015 rider filing.

In its response, Columbia explains that it discovered this error in January 2015 and made the correction in the April 2015 filing. Columbia adds that any under-collection that occurred as a result of the incorrect rate was rolled into the customer education cost remaining balance in the July 2015 filing.

- (11) Second, D&T obtained a schedule of monthly off-system sales (OSS) and capacity release (CR) margins from April 1, 2014, through March 31, 2015, and compared the total of OSS and CR margins to general ledger amounts. D&T found that the total OSS margins per the schedule were \$3,334,386, rather than the \$3,225,272 recorded in the general ledger, while the CR margins per the schedule were \$2,392,700 compared to \$2,401,923 recorded in the general ledger.

Columbia states the difference in OSS sales margins and CR margins was caused by accidentally referring to the OSS number in place of the CR number, and vice-versa, on the general ledger. Because the CSRR rider includes both OSS and CR in its overall calculation, states Columbia, no correcting entry is required.

- (12) Third, D&T obtained detail of monthly OSS and CR to be shared volumes for April 1, 2014, through March 31, 2015, and recalculated the dollar value to be shared by multiplying the volumes to be shared by the applicable CSRR rider. D&T further compared the dollar amount to be shared to the general ledger amounts, and noted that the recalculated dollar value to be shared was \$3,244,994 compared to \$3,246,322 recorded to the general ledger.

Columbia explains that the variance occurred because the general ledger includes shared OSS revenues computed on volumes older than 12 months, where an adjustment to a customer's bill reflects forgiveness of amounts on volumes of more than 12 months. Therefore, adds Columbia, no adjustment to CSRR is required, because it properly computed the dollar value of OSS revenue to be shared.

- (13) Finally, for each quarterly CSRR filing for April 1, 2014, through March 31, 2015, a comparison was made concerning computation of actual cost adjustment to the general ledger. D&T found that the actual cost adjustment per the July 2014 quarterly filing was \$18,978,357 compared to \$18,983,501 recorded to the general ledger, while the actual cost adjustment per the October 2014 quarterly filing was (\$44,579,465)¹ compared to (\$44,574,448) recorded to the general ledger.

In response, Columbia states that the variance of \$5,144 in the July 2014 quarterly filing is because Columbia's accounting department accidentally booked the February 2014 CSRR rider true-up instead of the March 2014 true-up. Columbia asserts that the variance was corrected by its accounting department in April 2014, and no further adjustment to the CSRR is required. Regarding the differences between the actual cost adjustment in the October 2014 quarterly filing as compared to the general ledger, Columbia states that the variance of \$5,017 resulted from recognition by its Regulatory Department of a March 2014

¹ Numbers in parenthesis are negative numbers.

balancing service revenue adjustment in the October 2014 CSRR rider quarterly filing, and its Accounting Department's correction of books in April 2014 to reflect the proper amount for March 2014.

UEX Rider Audit

- (14) The audit report for the UEX rider, for April 1, 2014 to March 31, 2015, was filed on September 24, 2015, by D&T in the *Columbia 2015 UEX Case*. The audit found Columbia's application and accounting systems accurate in all respects, with one exception. D&T reconciled the accounts receivable regulatory asset balance deferred as of March 31, 2015, and compared the reconciliation to the general ledger balance of March 31, 2015. D&T determined that the general ledger balance of March 31, 2015, was \$1,076,838, compared to \$1,077,872 per the reconciliation.

On October 16, 2015, Columbia filed comments concerning the UEX audit. Columbia states that the \$1,034 difference was related to a miscalculation of the March 2015 carrying charges applied to bad debt. This miscalculation was identified in the normal monthly reconciliation process and was corrected during April, when the additional carrying charges were added to the ledger balance. No reply comments concerning the UEX audit were filed.

PIPP Rider Audit

- (15) The audit report for the PIPP rider was filed on September 24, 2015, in the *Columbia 2015 PIPP Case*. The audit report found Columbia's application and accounting systems accurate in all respects. No comments or reply comments concerning the PIPP audit were filed.

Commission Conclusion

- (16) The Commission has reviewed the reports filed in these dockets by D&T and notes that D&T found no discrepancies in Columbia's calculation of the CSRR, UEX, or PIPP riders that were not resolved by Columbia. Therefore, the Commission concludes that the findings of D&T, as set forth in the audit reports docketed in the *Columbia 2015 EXR Case*, *Columbia 2015 UEX Case*, and *Columbia 2015 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,

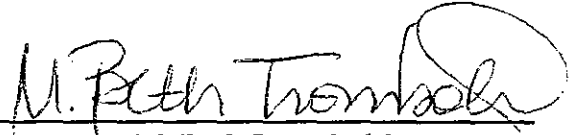
ORDERED, That a copy of this Finding and Order be served upon Columbia and upon all other persons of record in these proceedings.

THE PUBLIC UTILITIES COMMISSION OF OHIO

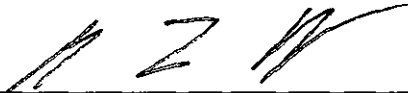


Andre T. Porter, Chairman

Lynn Slaby



M. Beth Trombold



Asim Z. Haque

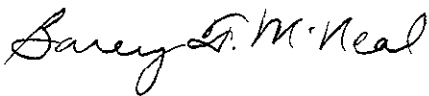


Thomas W. Johnson

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Barcy F. McNeal
Secretary