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

Pike Natural Gas Company

Audit of the Uncollectible Expense Mechanisms
For the Periods January 2013 through December 2014

Case Number 15-314-GA-UEX

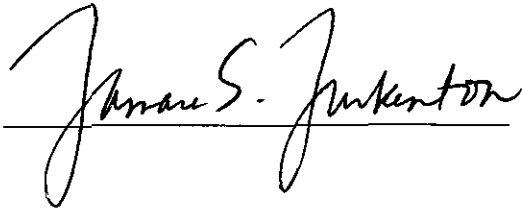
December 18, 2015

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Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of the Pike Natural Gas Company (Pike 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. 15-314-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, Pike accurately calculated its UEX rider rates for the time period discussed in this report. The Staff has performed investigations into these specific areas and respectfully submits its findings and recommendations.

A handwritten signature in black ink, reading "Tamara S. Turkenton", written over a horizontal line.

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

A handwritten signature in black ink, reading "David Lipthrott", written over a horizontal line.

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

Pike Natural Gas Company Uncollectible Expense Rider

Introduction

On February 19, 2015, the Commission in this case authorized Staff to conduct an audit of the Pike Natural Gas Company (Pike or Company) Company's UEX account. The Commission initiated the UEX audit for the rates effective during the period January 1, 2013 through December 31, 2014.

Background

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.

Pike was authorized in Case No. 05-824-GA-AIR to establish a rider recovery mechanism consistent with that which was approved in Case No. 03-1127-GA-UNC. On June 28, 2006, the Commission issued its Opinion and Order in that case and authorized an initial uncollectible rider rate (UEX) of \$0.0787 per Mcf. Since that time Pike has filed annual updates to adjust the rider when appropriate, and the Commission has authorized such subsequent revisions.

On December 12, 2012, in Case No. 12-2792-GA-UNC, the Commission authorized the approval of sale of ownership of Pike to Utility Pipeline, Ltd. In January 2013, the sale of ownership was completed.

Staff Review

For this audit, Staff reviewed Pike's collection practices and procedures that were implemented and in effect during the audit period. Staff issued a data request prior to the on-site audit to request the Company's 2013 and 2014 Annual Balance Reconciliation (ABR), the 2013 and 2014 sales volumes that were used to calculate the UEX rate, copies of invoices billed by collection agencies that the Company had placed for recovery through the ABR, the Company's bad debt write-off policies and procedures, the calculations used in applying the UEX monthly rider rate to monthly sales volumes and a list of customer payments made directly to the Company.

In July 2013, the Company implemented a new billing system that was problematic and caused delays in the customer billings. Due to their billing issues, the Company voluntarily implemented a non-disconnection policy until issues with the billing system were resolved. The Company stated

and Staff confirmed that, from July 2013 through December 2014, no disconnections occurred nor were any accounts placed into the ABR.

Staff reviewed customer billings for both divisions (Hillsboro and Waverly) to ensure that each division charged the appropriate UEX rate and also confirmed that no carrying charges were applied to the ABR. Staff then compared monthly customer billings to the ABR. Staff found, in August 2013, that the Company incorrectly listed in their ABR a UEX rate of (\$0.0109) per Mcf instead of the Company's stated UEX rate of \$0.00 per Mcf. This error only affected the Company UEX rate calculation as the Pike customers were billed the correct rate of \$0.00 for the month. Staff adjusted the August 2013 ABR to indicate a charge of \$0.00 per Mcf. Staff also discovered that the Company pro-rated the UEX charge when a customer starts or discontinues service during a monthly billing cycle.

Staff reviewed and re-calculated invoices billed by collection agencies and found no discrepancies.

Staff also examined recoveries resulting from the billing of the UEX rider. Staff relied upon the sales volumes reported in Case No. 15-214-GA-GCR, *Financial Audit of the Gas Cost Recovery Mechanisms for the Effective GCR Periods January 1, 2013 through December 31, 2014* (GCR Audit), to calculate the amount of recovery obtained through the UEX rider. Staff re-calculated the amount received through the UEX rider for August 2013 through December 2013 which would result in a change to the December 2014 balance. The Company recorded balance at December 2014 was (\$1,098.97) but should be corrected to reflect a balance of (\$1,608.55), a change of (\$509.58).

Conclusions

Staff discovered that the Company pro-rated the UEX charge when a customer starts or discontinues service during a monthly billing cycle. This method is not standard industry practice and not the intent of the Opinion and Order date December 17, 2003 in Case No. 03-1127-GA-UNC.

Staff found that Pike does not have any written procedures in place in writing-off a bad debt account.

Staff found one error in the UEX rate that was listed in the ABR statement. In August 2013, the Company incorrectly listed in their ABR a UEX rider rate of (\$0.0109) per Mcf however customers were billed the correct rate of \$0.00 per Mcf. This error only affected the Company calculation of the UEX rider rate. Staff adjusted the August 2013 ABR to indicate a charge of \$0.00 per Mcf.

Staff relied upon the sales volumes reported in the GCR audit and re-calculated the amount received through the UEX rider for August 2013 through December 2013. The re-calculation caused a change in the December 2014 ending balance from (\$1,098.97) to (\$1,608.55), a change of (\$509.58).

Staff Recommendations

Staff recommends that Pike implement a written bad debt write-off policy. Additionally, Staff recommends that the Company write-off accounts for non-payment at a minimum of 60 days to a maximum of 180 days¹

Staff recommends that the Company should discontinue pro-rating the monthly UEX rate to new and former customers during a billing cycle.

Staff recommends that the Company adjust their December 2014 ending balance to (\$1,608.55). Please see the Staff calculation of the Company's ABR in Attachment A.

¹ 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. 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 (Glenwood Gas and Oil Company).

Pike Natural Gas Case No. 15-0314-GA-UEx
Uncollectible Accounts Expense Rider Reconciliation
January 1, 2013 Through December 31, 2014

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STAFF CALCULATIONS

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