

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Audit of the)
Transportation Migration Rider - Part B of) Case No. 16-219-GA-EXR
The East Ohio Gas Company d/b/a)
Dominion East Ohio.)

In the Matter of the Audit of the)
Uncollectible Expense Rider of The East) Case No. 16-319-GA-UEX
Ohio Gas Company d/b/a Dominion East)
Ohio.)

In the Matter of the Audit of the Percentage)
of Income Payment Plan Rider of The East) Case No. 16-419-GA-PIP
Ohio Gas Company d/b/a Dominion East)
Ohio.)

ENTRY

The Commission finds:

- (1) The East Ohio Gas Company d/b/a Dominion East Ohio (DEO) is a natural gas company as defined in R.C. 4905.03 and a public utility as defined in R.C. 4905.02 and, as such, is subject to the jurisdiction of this Commission.
- (2) By Opinion and Order issued June 18, 2008, in *In re Application of The East Ohio Gas Company d/b/a Dominion East Ohio*, Case No. 07-1224-GA-EXM (*DEO SSO Case*), the Commission authorized DEO to proceed with the second phase of its plan to eliminate its gas cost recovery (GCR) mechanism and implement a market-based standard service offer (SSO), through a wholesale auction for percentage of income payment plan (PIPP), choice-ineligible, and transitional customers, and a standard choice offer (SCO), through a retail auction for choice-eligible SSO customers. On February 11, 2015, the Commission accepted the results of DEO's seventh auction for SSO and SCO service to be effective April 1, 2015, through March 31, 2016.
- (3) With the elimination of the GCR mechanism, costs and credits that were once recovered through the GCR were now to be

recovered through the Transportation Migration Rider - Part B (TMR). By Opinion and Order issued May 26, 2006, the Commission approved a stipulation in *In re Application of The East Ohio Gas Company d/b/a Dominion East Ohio*, Case No. 05-474-GA-ATA, which provided that all aspects of the proposed cost recovery through the TMR are to be reviewed as part of an annual financial audit that would be conducted by an outside auditor, docketed, and reviewed by Staff.

- (4) By Finding and Order issued December 17, 2003, in *In re Application of The East Ohio Gas Company d/b/a Dominion East Ohio, et al.*, Case No. 03-1127-GA-UNC, the Commission approved five gas distribution companies' applications to recover uncollectible expenses (UEX) through riders. A requirement of the Order in that case was that the new UEX riders would be audited in the course of each company's GCR audit. With the elimination of DEO's GCR, the UEX rider is to be audited in the course of DEO's audit of the TMR.
- (5) Furthermore, the Commission has authorized DEO to recover PIPP arrearages associated with providing natural gas service through its 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). At this time, the Commission finds that this rider should be audited in the course of DEO's TMR and UEX audits.
- (6) Through this Entry, the Commission is initiating the financial audits of DEO's TMR, UEX, and PIPP riders. DEO shall select the auditor to perform the audits described in this Entry. The TMR audit will be for the calculation filed from the end of the last audit period through April 30, 2016, and the auditor should docket its findings in Case No. 16-219-GA-EXR. The UEX rider audit will be for the period of April 1, 2015, to March 31, 2016, and the auditor should docket its findings in Case No. 16-319-GA-UEX. The PIPP rider audit will be the period of April 1, 2015, through March 31, 2016, and the auditor should docket its findings in Case No. 16-419-GA-PIP. The due date for the TMR, UEX, and PIPP rider audit reports is October 14, 2016.
- (7) The selected auditor is required to submit a certificate of accountability attesting to the accuracy of financial data pertaining to the periods specified above. Reference should be

made to any errors, omissions, or redundancy of costs from the calculations supporting the TMR, UEX, and PIPP rider rates.

- (8) As part of the TMR audit, the auditor shall verify the accuracy of the costs potentially recovered, as enumerated in the June 18, 2008 Order in the *DEO SSO Case*. *DEO SSO Case*, Opinion and Order (June 18, 2008) at 10. Each of these costs is summarized below, which summary in no way supersedes the specific terms of the stipulation reached by the parties and subsequently approved by the Commission in the *DEO SSO Case*:

(a) Costs Traditionally Recovered Through the GCR:

i. Operation Balancing:

1. Costs to Perform Operational Balancing: All costs associated with maintaining operational balancing inventories and the carrying costs on the inventory.
2. Cash Outs: The net effect of any receipts or disbursements associated with cash-outs, on-system storage sales, or purchases, and operational sale of storage.
3. Provider of Last Resort Costs: Any difference between the amount billed for provider of last resort service and the actual costs incurred for the volumes purchased or withdrawn from storage.

ii. Transportation Credits: The recovery of contract storage costs from Transportation Migration Rider - Part A and volume banking service charges that are billed to non-choice transportation customers.

(b) Program Costs Arising from the *DEO SSO Case*:

- i. Migration Credits: The crediting of migration-related charges included in seasonal firm storage service injection and withdrawal rates.

- ii. Purchased Gas Costs Associated with Lost and Unaccounted for Gas: The cost of purchased gas, net of storage activity, incurred by DEO as a result of differences between actual unaccounted-for levels and volumes provided through the fuel retention charged to transportation customers.
- iii. Lost and Unaccounted for Gas: Review of the standard system-wide fuel retention rate charged to energy choice and traditional transportation service, SSO, and SCO commodity service providers.
- iv. Associated Excise Tax.

The auditor shall recommend removal of any and all costs not delineated in the June 18, 2008 Order in the *DEO SSO Case*. The auditor shall also verify that the TMR, UEX, and PIPP rider rates were accurately applied to customers' bills.

- (9) The Commission directs that all costs associated with the TMR, UEX, and PIPP rider audits be borne by DEO.
- (10) The auditor shall perform the audit as an independent contractor. Any conclusions, results, or recommendations formulated by the auditor may be examined by any participant to the proceeding for which the audit reports were generated. Further, it shall be understood that the Commission and/or Staff shall not be liable for any acts committed by the auditor or its agents in the preparation and presentation of these audit reports.
- (11) The auditor will execute its duties pursuant to the Commission's statutory authority to investigate and acquire records, contracts, reports, and other documentation under R.C. 4903.03, 4905.06, 4905.15, and 4905.16. The auditor is subject to the Commission's statutory duty under R.C. 4901.16, which states:

Except in his report to the public utilities commission or when called on to testify in any court or proceeding of the public utilities commission, no employee or agent referred to in section 4905.13 of the Revised Code shall divulge any information acquired by him in respect to the

transaction, property, or business of any public utility, while acting or claiming to act as such employee or agent. Whoever violates this section shall be disqualified from acting as agent, or acting in any other capacity under the appointment or employment of the commission.

Once disclosure is permitted by R.C. 4901.16, the following process applies to the release of any document or information marked as confidential. Three days' prior notice of intent to disclose shall be provided to the party claiming confidentiality. Three days after such notice, Staff or the auditor may disclose or otherwise make use of such documents or information for any lawful purpose, unless the Commission is moved for a protective order pertaining to such documents or information within the three-day notice period. The three-day notice period will be computed according to Ohio Adm.Code 4901-1-07.

- (12) Upon request of the auditor or Staff, DEO shall provide any and all documents or information requested. DEO may conspicuously mark such documents or information "confidential." In no event, however, shall DEO refuse to provide or delay in providing such documents or information.
- (13) The Commission finds that complete documentation of the financial audit process within the auditor's work papers is essential. The financial auditor for these proceedings shall ensure that the reports and work papers are complete reflections of the financial audit processes.
- (14) The Commission finds it appropriate to call for comments on the financial audits of the TMR, UEX, and PIPP riders. Such comments should be limited to the audit of these riders and the recovery of the associated costs. Accordingly, interested persons may file comments and reply comments on the audits by October 28, 2016, and November 10, 2016, respectively.

It is, therefore,

ORDERED, That, pursuant to finding (6), the audits for the effective periods of the TMR, UEX, and PIPP riders be filed in the respective dockets by October 14, 2016. It is, further,

ORDERED, That DEO bear the cost of the financial audits as provided in finding (9). It is, further,

ORDERED, That the auditor shall provide the documentation necessary to support its conclusions and recommendations, as specified in finding (13). It is, further,

ORDERED, That comments and reply comments on the financial audits of the TMR, UEX, and PIPP riders be filed in the respective dockets in accordance with finding (14). It is, further,

ORDERED, That a copy of this Entry be served upon DEO and upon all other persons of record in these proceedings.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Andre T. Porter

Andre T. Porter, Chairman

Lynn Slaby

Lynn Slaby

M. Beth Trombold

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Entered in the Journal

APR 14 2016

Barcy F. McNeal

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Secretary